



MINISTERIO  
DE ECONOMÍA  
Y HACIENDA

Dirección General  
de Seguros y  
Fondos de Pensiones



# SPANISH SUPPLEMENTARY SOCIAL PREVISION SYSTEM

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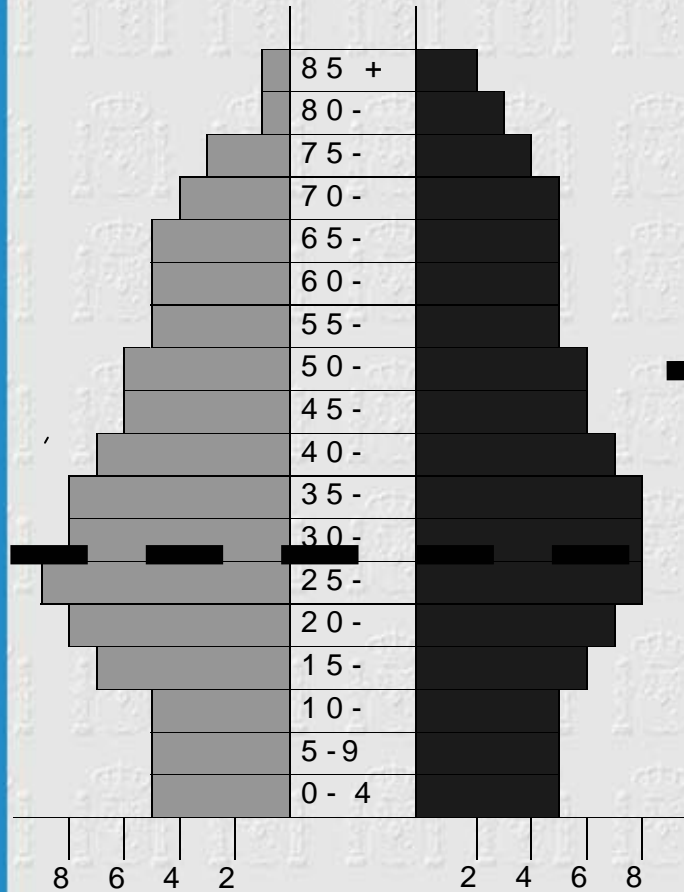
- **GPD 976.189 million €**
- **POPULATION 44.708.964**
  - MEN 49,43 %
  - WOMEN 50,57 %
- **WORKING POPULATION 20.069.200**
- **AFFILIATIONS 1º PILLAR 19.109.008**



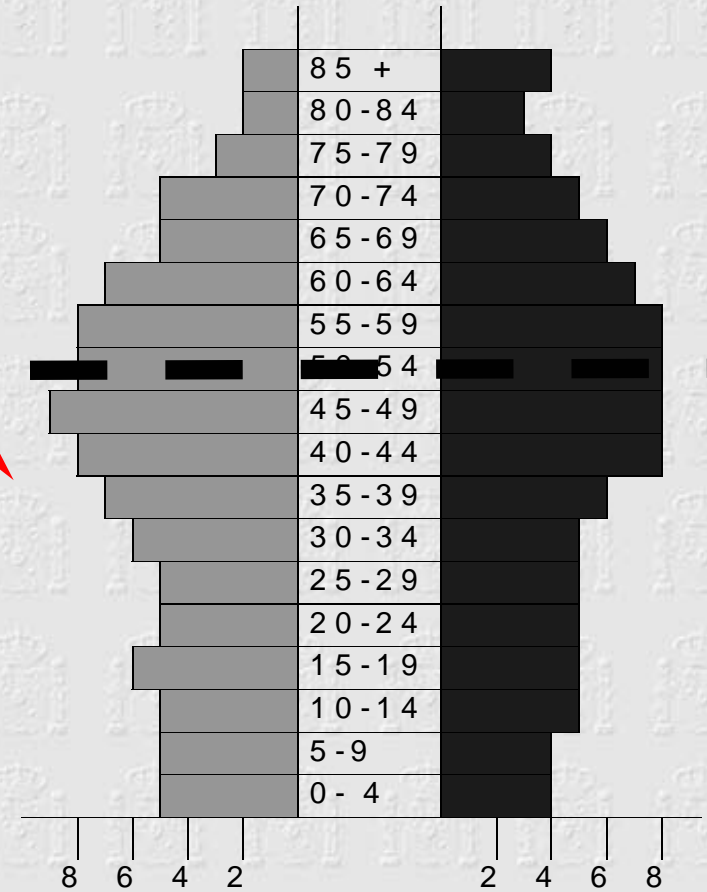
# SPANISH AGING POPULATION

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PYRAMID 2.000



PYRAMID 2.020



men

Women



# FAMILY'S FINANCIAL SAVING 2006

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## % TOTAL SAVING

%

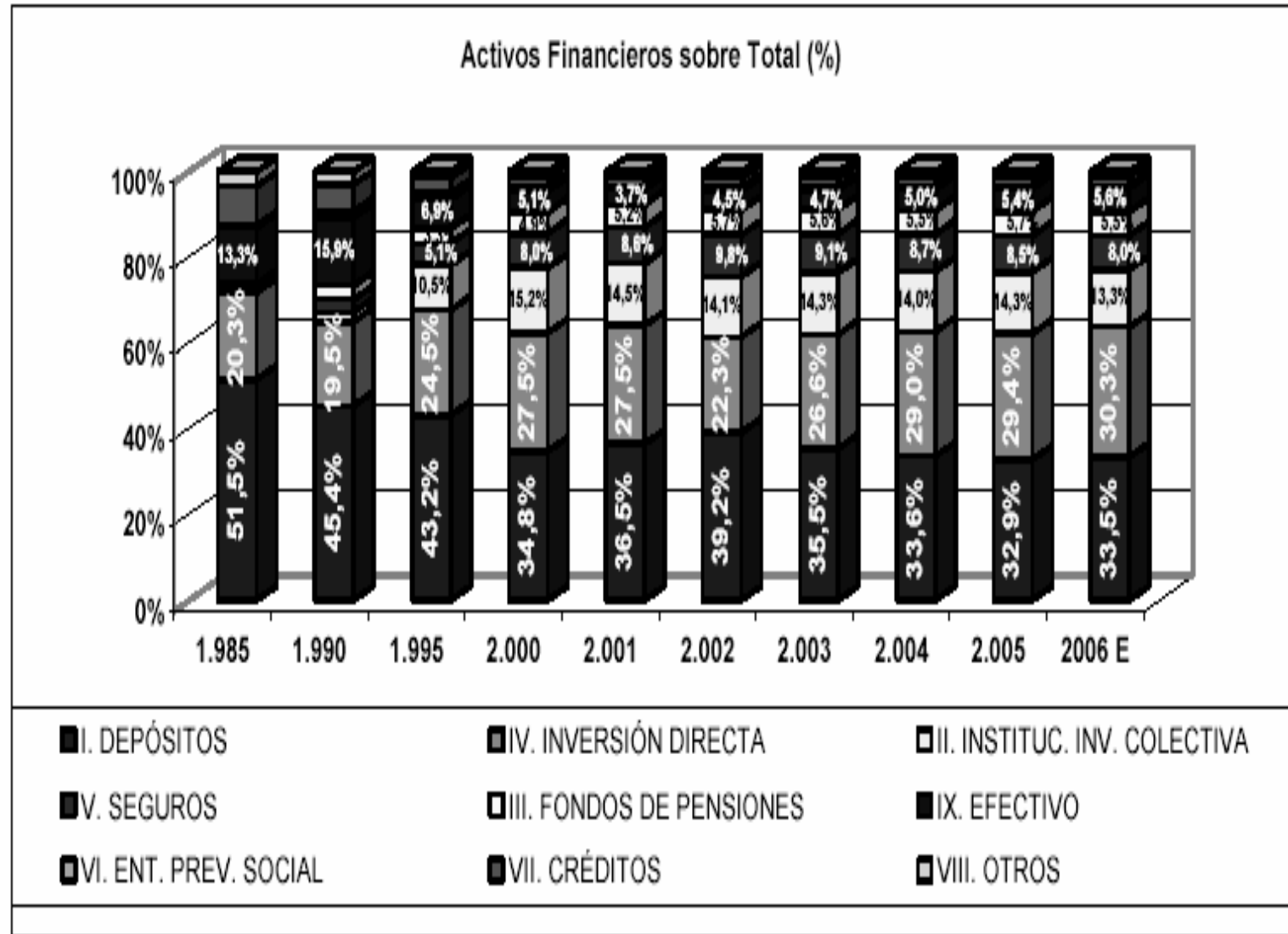
Deposit	38,3
UCIT'S ( Fund Investment)	13,8
Insurance	8,1
Pension Fund	5,4
Direct investment	30,6
Credit	2,1
Others	1,7
<b>TOTAL</b>	<b>100</b>

Source: Sectorial y MEH



# SPANISH SAVING BREAK DOWN

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## **2.- THREE PILLARS SYSTEM**

**(SPANISH WELFARE STATE)**



## 1<sup>es</sup> pilar

- **State-run**
- **Mandatory**
- **Pay-as-you-go**
- **Universal**

## 2<sup>nd</sup> pilar

- **Private**
- **Voluntary**
- **Funded basis**
- **Labor**

## 3<sup>rd</sup> pilar

- **Private**
- **Voluntary**
- **Funded basis**
- **Personal**





## 1. STRUCTURE

- General regime.
- Special Regimes: sea workers, etc.

## 2. Maximum annuity **AMOUNT**:

- 2.290,59 € monthly
- 31.439,38 € per year

## 3. **PERIOD** to calculate retirement benefit: last 15 years of working life

## 4. Automatic **INDEXATION**: Consumer Index Price (IPC)

## 5. Replacement Ratio 94 % (Aprox.)

( MONTHLY SALARY AVERAGE 1.538 €)



- **EXTERNALIZATION PROCESS**
- **COLLECTIVE BARGAINING IS THE CORNERSTONE OF THE OCCUPATIONAL SOCIAL PREVISION SYSTEM.**
- **DEFERRED SALARY PRINCIPLE**



### **ASPECTS DECIDED BY COLLECTIVE**

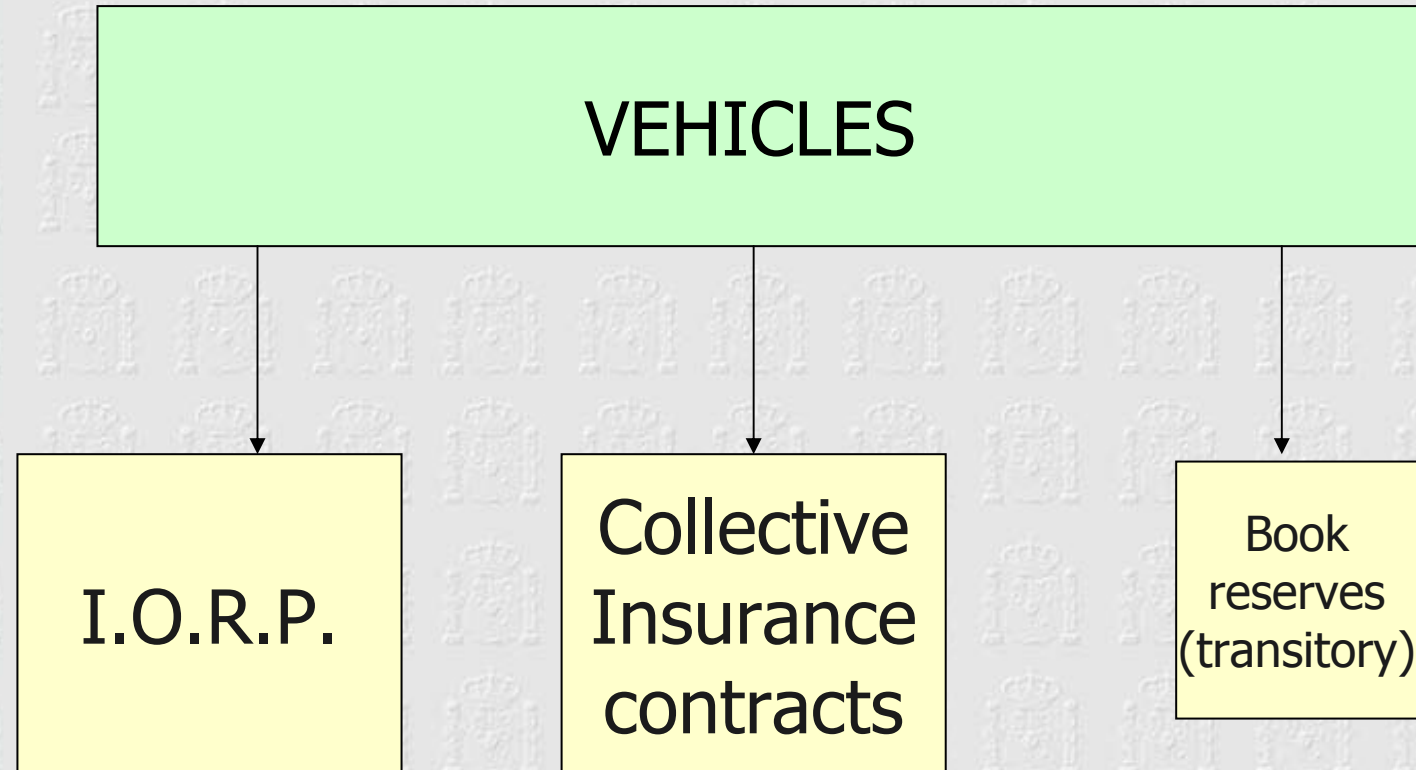
#### **BARGAINING:**

- 1. TYPES OF BENEFITS**
- 2. CONSOLIDATED/VESTED RIGHT (OR NOT)**
- 3. CONTRIBUTIONS (STAFF SCALE )**
- 4. UNIVERSALITY OF BENEFITS (FOR ALL STAFF OR NOT)**
- 5. INSTRUMENTS USED ( PENSION FUND, INSURANCE OR BOTH)**
- 6. GOVERNANCE AND CONTROL OF THE INSTRUMENT**



# SECOND PILLAR

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# 2º PILLAR

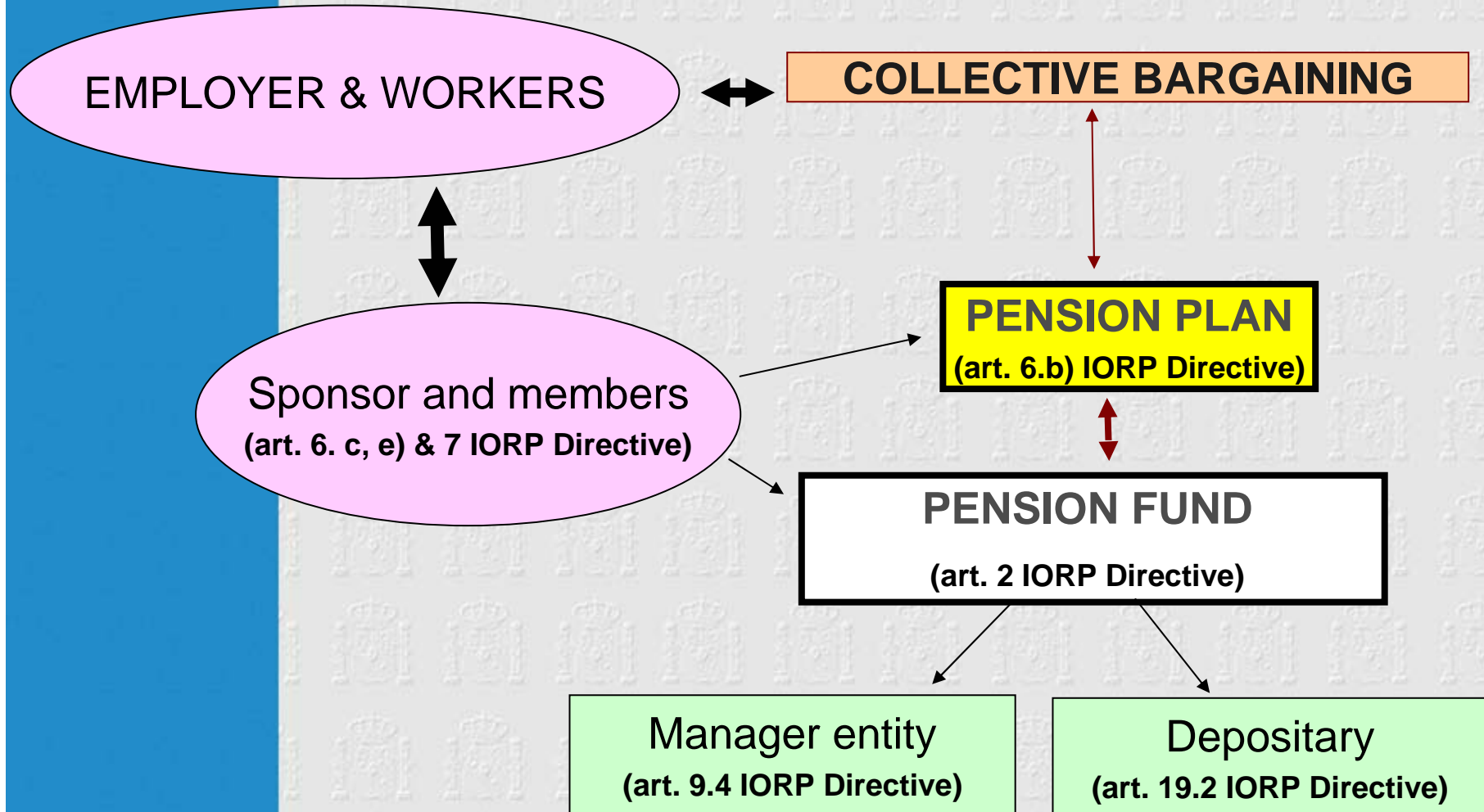
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## Occupational Pension Plan & Fund (I.O.R.P.)



# OCCUPATIONAL PENSION PLANS

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## **1. YEARLY CONTRIBUTIONS: LIMITED**

- **10.000 €/ WORKER**

## **2. WORKER: PERSONAL INCOME TAX**

- **Deferred taxation until benefits**

## **3. SPONSOR: COMPANY TAX**

- **Promoter contributions to O.P.P. are deductible**



## OCCUPATIONAL PENSION FUND FIGURES

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### 1. N° OF SCHEMES/ PLANS 3.289

- ❖ **OCCUPATIONAL** 58,17%
- ❖ **INDIVIDUAL** 34,72%
- ❖ **ASSOCIATED** 7,11%

- **DB SCHEMES** 0,76 %
- **DC SCHEMES** 70,14 %
- **HYBRID** 29,10 %

### 2. N° PENSION FUND 1.340

### 3. N° MANAGING ENTITIES 112

### 4. N° DEPOSITARIES 100





## COMPARISON BETWEEN TYPES OF SCHEMES

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PLAN'S MEMBERS	
OCCUPATIONAL	1.721.944
ASOCIATED	92.418
INDIVIDUALS	8.309.859
TOTAL	10.124.221

	OCCUP. %	ASOC. %	INDIVID. %
ASSETS	36,5	1,4	62,1
MEMBERS	17	0,9	82,1
CONTRIBUTIONS	21,9	1,1	77



# MORE FIGURES

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<b>SPAIN</b>	<b>1.990</b>	<b>1.995</b>	<b>2.000</b>	<b>2.006</b>
<b>ASSETS (millions €)</b>	<b>3.214</b>	<b>12.822</b>	<b>37.860</b>	<b>83.024</b>
<b>Nº MEMBERS</b>	<b>627.958</b>	<b>1.796.084</b>	<b>4.938.828</b>	<b>10.124.221</b>
<b>CONTRIBUTIONS/BENEFITS (millions €)</b>				
Yearly contributions	-	1.832	8.318	8.248
Yearly benefits	-	358	1.217	3.198
<b>ASSETS/ MEMBERS, average (€)</b>	<b>5.118</b>	<b>7.139</b>	<b>7.666</b>	<b>8.200</b>
<b>INVESTMENT</b>				
<b>OTHER FIGURES</b>				
Members/Workforce (PAO)	5%	12%	29%	49%
Occupational members/PAO	1%	2%	3%	9%
<b>PENSION FUND ASSET / GDP</b>	<b>1,1%</b>	<b>9,3%</b>	<b>6,2%</b>	<b>8,3%</b>
<b>ASSETS/ Familiar Saving Balance</b>	<b>0,9%</b>	<b>2,0%</b>	<b>3,7%</b>	<b>4,4%</b>



<b>ASSET ALLOCATIONS BREAKDOWN</b>	
<b>2006</b>	<b>%</b>
<b>REAL STATES</b>	<b>0,19</b>
<b>FINANCIAL INVESTMENT</b>	<b>83,93</b>
BONDS	53,45
National	31,27
Foreign	22,18
SHARE	24,12
National	10,71
Foreign	13,41
DEPOSIT	2,01
OTHER INVESTMENTS	4,35
<b>CASH &amp; BANK</b>	<b>15,88</b>



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# Collective Life Insurance



# COLLECTIVE INSURANCE POLICIES

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<b>Nº SPONSORS</b>	<b>207.319</b>
<b>Nº. POLICIES</b>	<b>238.356</b>
<b>Nº. WORKERS INSURED</b>	<b>5.464.276</b>
<b>PREMIUM</b>	<b>3.328 mill. €</b>
<b>TECHNICAL PROVISIONS</b>	<b>31.019 mill. €</b>
<b>Nº. BENEFICIARIES</b>	<b>419.844</b>
<b>BENEFITS</b>	<b>3.470 mill. €</b>



# Managerial Social Prevision Plans PPSE

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- **Collective Insurance Contract**
- **Occupational Pension Plans Requirements and Principles applicable**
- **Vested Right**
- **Mandatory fiscal attribution**
- **Guarantee of returns ( minimum interest rate)**



- **GENERAL RULE: AMONG PILLARS**

➤ 2<sup>o</sup> → 2<sup>o</sup>

➤ 3<sup>o</sup> → 3<sup>o</sup>

- **Where employment is terminated:  
between supplementary social  
prevision vehicles.**



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# Long Term Care (Dependence)





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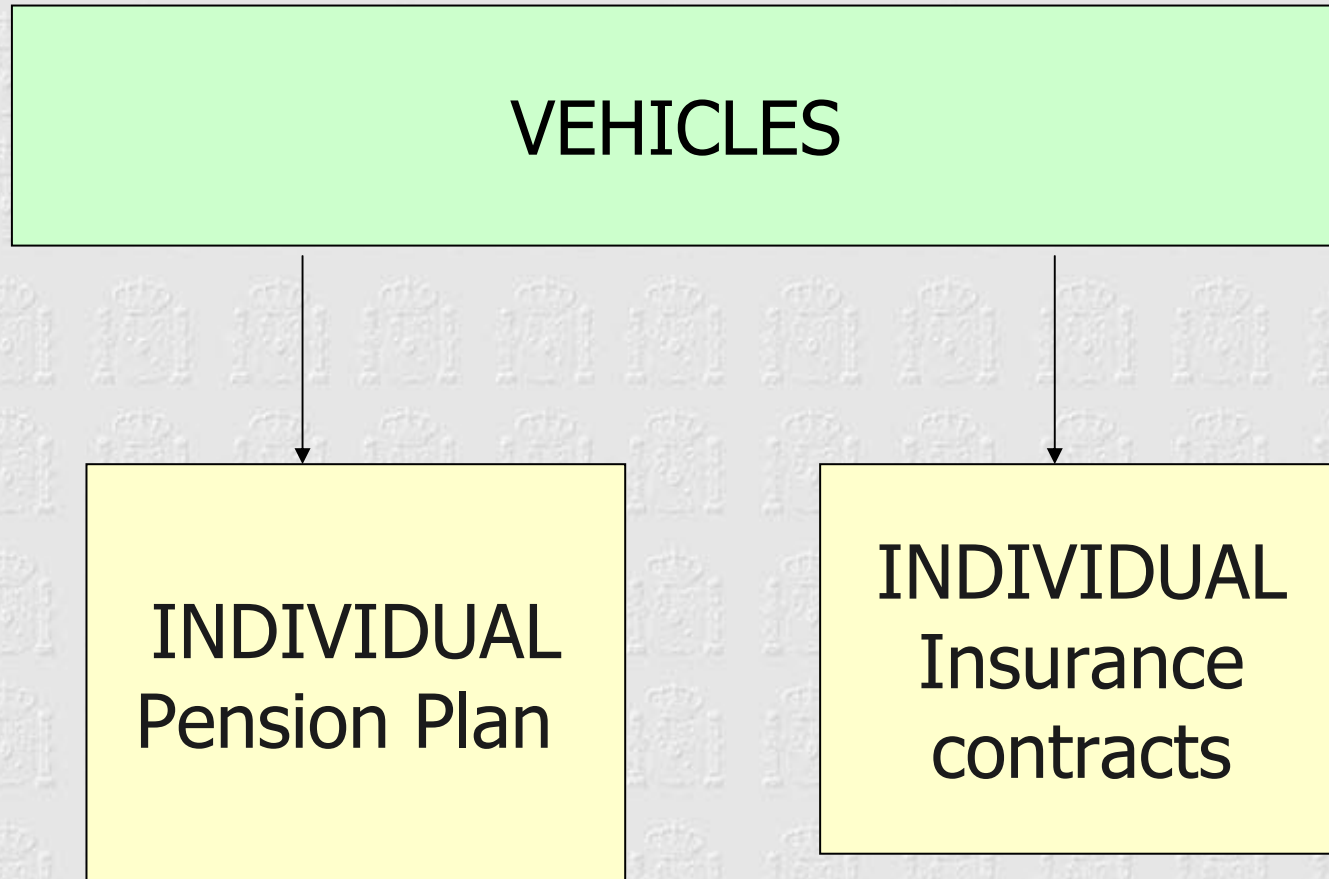
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# Spanish Third Pillar



# THIRD PILLAR

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## THIRD PILLAR

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# Individual Pension Plan



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# THIRD PILLAR

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## Insurance Contracts



# Systematic Plan for Saving PIAS

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- ❖ **Individual life insurance contracts**
- ❖ **Minimum period: 10 years**
- ❖ **ANNUITY**
- ❖ **Underwriter = insured = beneficiary.**
- ❖ **Maximum yearly contribution 8.000 €**
- ❖ **Total accumulated premiums 240.000 €**



# Prevision Plans Assured P.P.A.'s

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- INDIVIDUAL LIFE INSURANCE CONTRACTS
- UNDERWRITER = INSURED = BENEFICIARY
- GUARANTY OF RETURNS (interest rate)
- MAXIMUM YEARLY CONTRIBUTION 8.000 €



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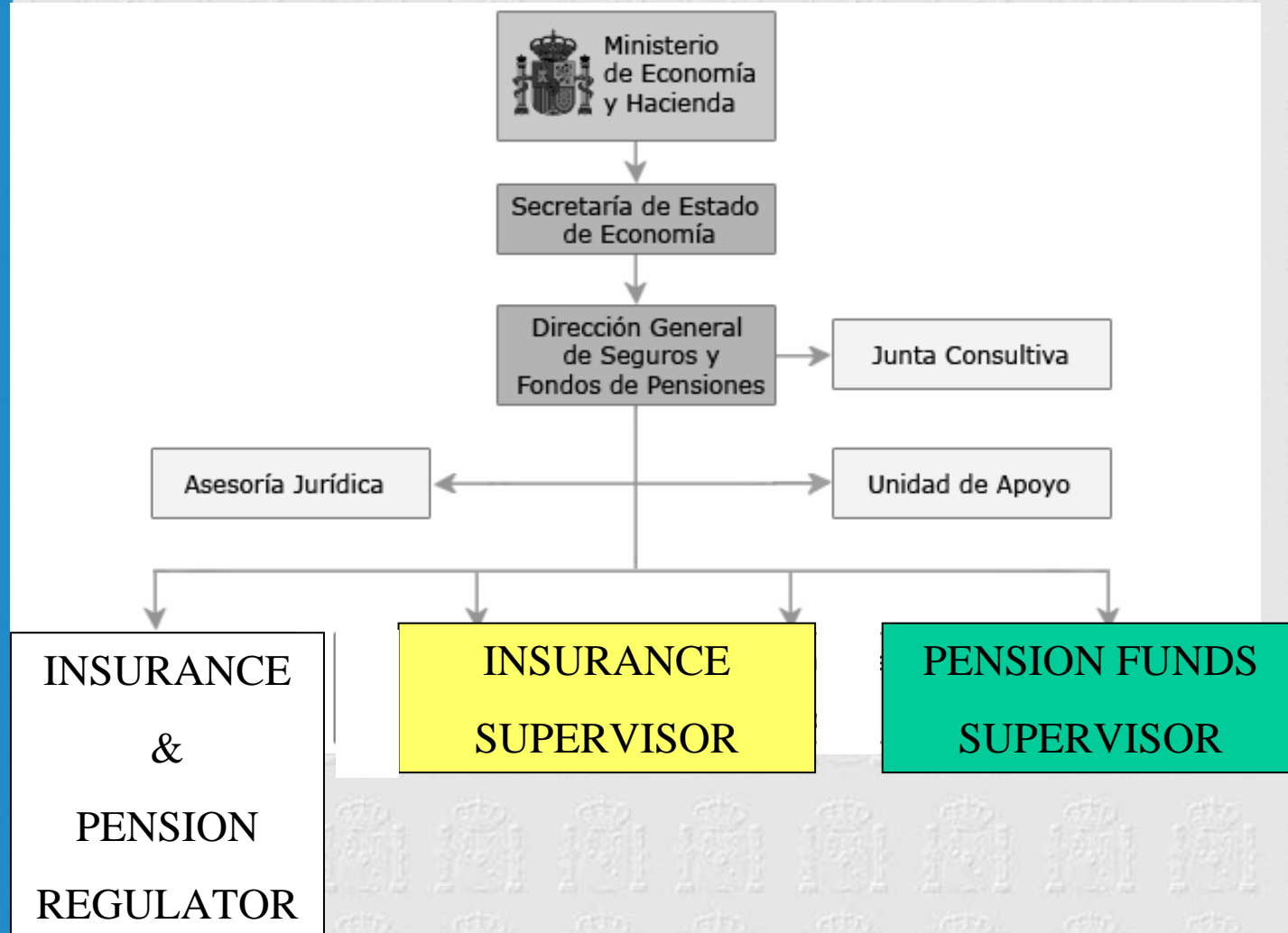
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# 3.- SOME SPECIFIC SUPERVISORY ITEMS



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## PENSION FUND SUPERVISION REQUIREMENTS.

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P PLAN

F FUND

CC  
C. COMMISSION

M MANAGER

D DEPOSITARY

### TAKING UP OF ACTIVITY:

- Minimum **capital** requirement: **M**
- Limits on **activities**: **F, M**
- Separation from the Sponsor** **F, M, P,**
- Reputation, qualifications and experience **M, D**
- Explicit Authorization: **F, M, D**
- Public Register **F, M, P, D, CC**



# STANDAR ACTUARIAL ASSUMPTIONS

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- **Interest Rate 4% (max)**
- **IPC ( Consumer Index Price) 1,5%**
- **Salaries Indexation rate 2,5%**
- **Contributions Indexation 1,5%**
- **Pension Plan Revaluation 1,5%**
- **TABLE PERM/F2000C ( Mortality)**
- **TABLE SS90 (Disability)**



# PENSION FUND SUPERVISION REQUIREMENTS.

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P PLAN

F FUND

CC  
C. COMMISSION

M MANAGER

D DEPOSITARY

## OPERATIONAL CONDITIONS

-Reporting of any **modifications of initial conditions**: F, P, M, D, CC

-**Financial supervision** F, M, P, D

-Technical Provision P

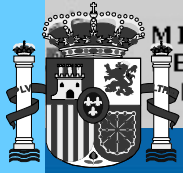
-Investment rules F, M

-Regulatory own fund P

-Disclosure of **information** M, CC

- Intervention **powers**: sanctions over M, D, CC

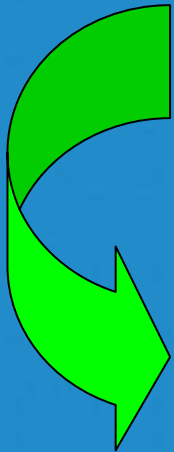
-**Internal Control**: auditors and actuaries role F, P, M, D



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# FINANCIAL-ACCOUNTANT ANALYSIS



ANALYSIS OF  
STATISTICAL-  
ACCOUNTANT  
DOCUMENTS

**P** PLAN  
**F** FUND  
**M** MANAGER  
**D** DEPOSITARY

**SUPERVISION  
ON SPOT**





## 1. Financial Control:

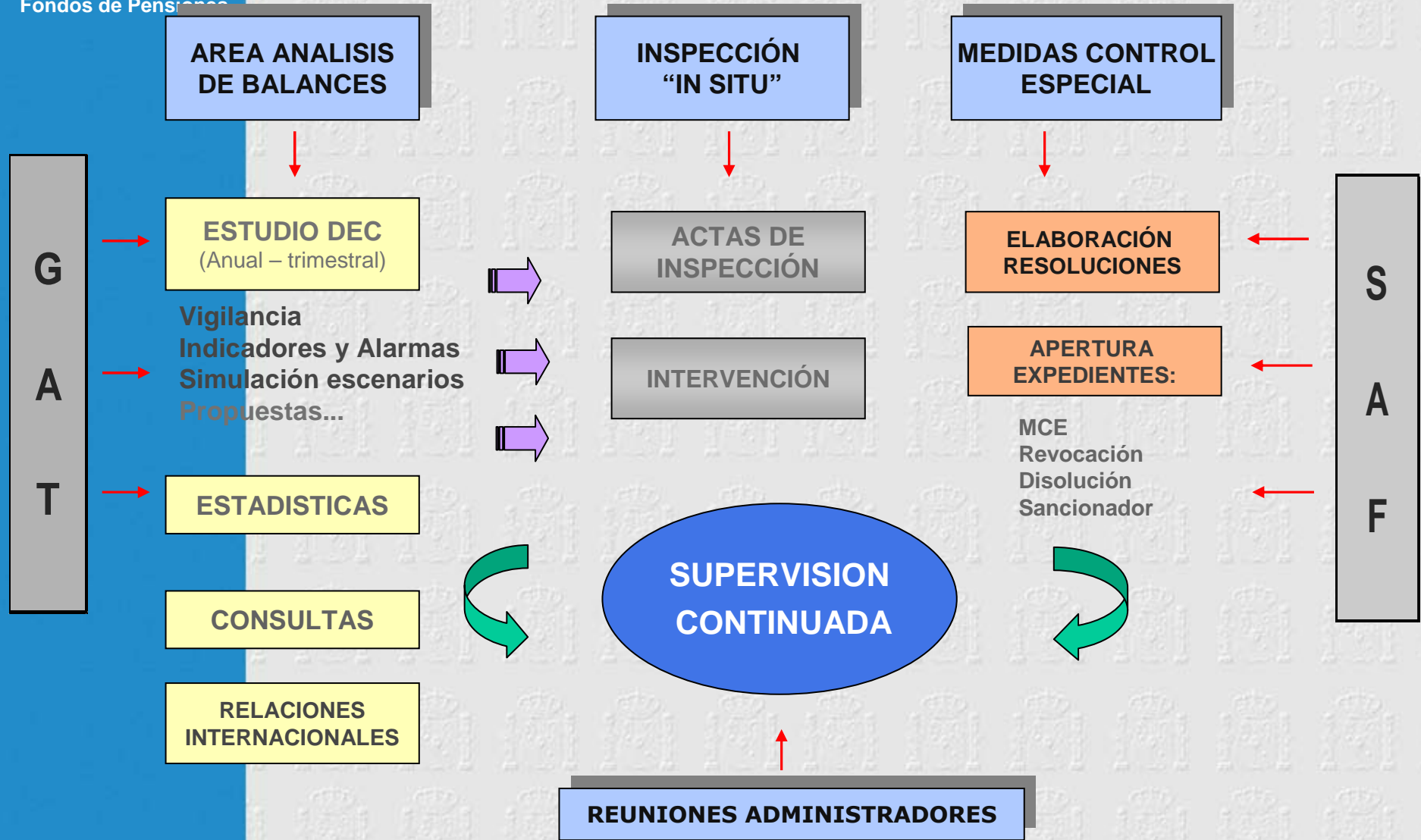
- ❖ Solvency Control.
- ❖ Building up of tech. Provisions and the assets backing them.
- ❖ Claims in kind: control of the available technical resources.

## 2. Control of policies, pricing and statutes.

## 3. Accounting and administrative organization, and internal control procedures.



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**THANK YOU  
FOR YOUR ATTENTION**