

THE INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS (IOPS)

PROGRAMME OF WORK 2009-2010

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Mombasa, Kenya



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I. Introduction

1. The International Organisation of Pension Supervisors (IOPS) is an independent international body representing those involved in the supervision of private pension arrangements. The 60 strong membership covers all types of pension and supervisory systems across the globe. The major goal of the IOPS is to improve the quality and effectiveness of the supervision of private pension systems throughout the world. The aims of the organisation include serving as a standard setting body on pension supervisory matters, acting as a forum for international cooperation, the exchange of information and policy dialogue as well as distributing research and collecting data.

2. It should be stressed that the current and future success of the IOPS depends on its members, who act as the main drivers of the organisation's work and projects. Active participation by *all* members in at least one project is therefore greatly encouraged, in order to allow the IOPS to deliver its full potential as an Organisation.

3. There are three main dimensions to the IOPS work: standard setting and guidelines; analytical projects and working papers; and the ISSA/ IOPS / OECD database. It is envisaged that all IOPS projects should deliver such outputs – encompassing information collection which can be used for analytical work and which can then lead onto the development of guidelines and suggestions for international best practice.

4. This document first gives an overview of the latest progress of the on-going projects and descriptions of the potential new projects for 2009/2010. A progress table is then presented relating to the proposed plan for each individual project throughout 2009-2010. The last part contains a long list of potential projects from which the IOPS may select candidates for future work.

II. On-going Work

5. Members are encouraged to join any existing project teams and / or to suggest further developments for on-going projects.

A) Standard Setting Work:

- *Guidelines on the use of intervention powers, sanctions and enforcement:* part of the on-going work of the IOPS is to provide comprehensive guidelines on specific operational issues related to pension supervision. A set of guidelines related to sanctions and enforcement is currently being drafted by the membership and is targeted for approval by the Governing Membership at the 2009 AGM, following a period of public consultation. Project team: *IOPS Secretariat*, Australia, Brazil, South Africa

B) Projects:

- *IOPS 'Toolkit' for the risk-based supervision of pension funds:* during the discussion of the 2008-2009 POW which took place at the 2007 AGM in Beijing, delegates expressed a strong desire for

further work related to risk-based supervision to be made the priority of the Organisation over the coming years. Several projects relating to the broad topic of risk-based supervision were suggested and could be more integrated (including supervisory oversight of pension funds' risk-management, stress testing + traffic light systems, work on prudential supervision – such as check list of minimum information to be regularly reported to supervisory authorities, triggers for in-depth evaluation and a checklist of critical information to be shared between supervisors). Delegates requested that the work on risk-based supervision be placed within a framework and practical guidance, and also suggested that guidelines could be produced. The proposal was therefore to develop a 'Toolkit' to provide practical help for pension supervisory authorities introducing and developing a risk-based supervisory approach. During 2008, the Technical Committee agreed to break the toolkit down into the following modules – each of which will result in a report produced by the project teams. It was agreed to initially start work on modules 2,3,5,6 during 2008 with the other parts of the toolkit being launched in 2009. The toolkit is targeted for completion in 2010.

- *Module 1 'Supervisory Management Issues'* – project team to be identified
 - *Module 2 'Regulatory Framework'* OECD
 - *Module 3 'Obtaining Information'* – project team to be identified
 - *Module 4 'Quantitative Assessment of Risk'* – Chile, Czech Republic, Germany
 - *Module 5 'Risk Scoring Models'* – Kenya, Netherlands, South Africa
 - *Module 6 'Supervisory Responses'* – Australia, Botswana, Hungary, UK
- ***Governance and performance measurement of Supervisory Authorities:*** following on from the Organisation's work on supervisory structures, further analysis of the 'governance' of supervisory authorities will be carried out – for example looking at whether they really do operate independently, if the appointment mechanisms of directors is sufficiently transparent etc. The operational organisation of integrated supervisory authorities will also be considered. This work should be coordinated with the IMF and the results from their survey on governance of integrated supervisory authorities. During the Technical Committee meeting held in Washington in spring 2008 it was decided to combine the supervisory authorities' governance project with the project on *Performance Indicators for Pension Supervisory Authorities*, which was also approved at the 2007 AGM. Delegates requested that a set of performance indicators be drafted, by which their performance may be assessed internally. **Project team:** *China, Poland, Turkey (Monitoring Centre), UK, Australia, Namibia*
 - ***Mortality Tables:*** the pensions committee of the IAA has recently formed a 'mortality taskforce', to examine mortality issues relating to pensions (such as looking at how to improve mortality tables, how often these should be updated, how to model uncertainty and to model trend mortality etc.). The taskforce will invite interested parties to join them, with IOPS being represented by Norway. The IOPS project team aims to produce a paper promoting the lesson learnt by the IAA and aiming to increase awareness of mortality risk amongst supervisors and the broader pension community. The timetable for the project will follow the IAA taskforce's schedule. **Project Team** *Norway, IAA*
 - ***ISSA/ IOPS / OECD database:*** the International Social Security Association (ISSA), IOPS and OECD have previously coordinated to produce a comprehensive data source on the regulation of private pension systems worldwide. This database is available to IOPS members via the members'

area of the IOPS website. In 2007 the coordinating organizations approved a proposal for extending this database to include pension system, macroeconomic and demographic data, and overviews of the pension system in member countries and detailed on the pension supervisory system in place. The pension system overviews and detailed regulatory and supervisory information for the majority of IOPS members are scheduled for the end of 2009, potentially with additional matrixes and comparative data. The statistical information will be updated annually (in time for the Annual General Meeting) with the detailed regulatory and supervisory information to be updated biannually on a regional basis. *Project team: IOPS Secretariat, ISSA, OECD*

- **Tour d' horizon:** the Technical committee agreed to regularly review major developments related to the supervision of private pensions, building on information to be provided by members on major reform in their countries. The review may also include short discussion papers on topical issues which would be provided by the Secretariat. Given the current turmoil in the financial markets, urgent projects or work priorities may arise from discussions which take place as part of the Tour. It is also proposed that countries could volunteer to provide more detailed *case studies* on their pension supervisory system, highlighting the main challenges which they face, with the view of communicating such experience to other members and possibly seeking their suggestions and assistance. Such case studies would be presented and discussed in Technical Committee meetings.

III. New Projects

A) Standard Setting Work:

- **Operational Guidelines:** a new set of guidelines covering a further operational aspect of supervisory activity may be launched in 2009, with approval targeted for the 2010 AGM. The topic of these should become apparent during 2009 as the on-going projects listed above develop. For examples, guidelines relating to aspects of risk-based supervision, or good practices for monitoring pension supervisory authorities may be suggested: *IOPS Secretariat*
- **Review of the IOPS Principles:** the IOPS Principles of Private Pension Supervision were approved by the IOPS membership in 2005 (with revisions following a public consultation in 2006). Since then the Organisation has developed a considerable body of work, though its operational guidelines, working papers and other documents – which include suggestions for how the Principles could be developed or extended. It may therefore be appropriate to consider undertaking a review of the Principles in 2010: *IOPS Secretariat*
- **Good Practices in Risk Management of Alternative Investments by Pension Funds:** the good practices, released in 2008, relate to the risk management of alternative investments by pension funds. The document is directed at pension supervisory authorities to aid them in their assessment of whether pension funds under their jurisdiction are managing their alternative investments adequately. The IOPS plans a future “stock take” to examine how the good practices operate and are applied in member countries

B) New Projects:

- **Annuities - interaction between supervisors:** in addition to the work on comparative information and pricing of annuity products undertaken in 2008, the annuities project team proposed a project looking at cooperation between supervisory authorities, particularly where the accumulation and decumulation phases are handled by different providers and therefore are overseen by different supervisory authorities. The pros and cons of supervisory structures in the face of different pension

providers is a topic which could also be further explored, as the issue of whether supervision is undertaken by a specialist pension supervisor or an integrated supervisory authority has a bearing on how the pension pay out phase is supervised. This part of annuities project may be launched in 2009 for completion in 2010. **Project team:** *Chile, Poland, Hungary and Korea*

- **Information of members of DC schemes:** Part II of the DC information project could be launched during 2009, examining how supervisory authorities themselves can act as a source of comparative, objective information for pension fund members. **Project team:** *Italy, Austria, and Korea*

IV. Timetable

Project	Mar-2009	Jun-2009	Oct-2009	Spring-2010	Summer-2010	Winter-2010
<i>Guidelines on Sanctions + Enforcement</i>	Update + send to IAIS	Finalize for consultation	Approve			
<i>New operational Guidelines</i>	Outline	Update	Update	Update	Finalize for consultation	Approve
<i>Review of IOPS Principles</i>				Update	Finalize for consultation	Approve
<i>Toolkit Module 2,3,5,6</i>	Update Modules 2,3,5,6	Update Modules 2,3,5,6	Approve Modules 2,3,5,6			
<i>Toolkit Modules 1,7,4,8</i>				Update Modules 1,7,4,8	Update Modules 1,7,4,8	Approve Modules 1,7,4,8
<i>Governance supervisory authorities</i>	Update	Update	Approve as working paper Approve as working paper			
<i>Mortality Tables</i>	Update	Update	Approve as working paper			
<i>Annuities – supervisory interaction</i>			Outline	Update	Update	Approve as working paper
<i>DC Information Part II</i>			Outline	Update	Update	Approve as working paper

‘Long List’ of the IOPS potential projects

<i>Promotion of Information Exchange and Cooperation for International Pension Supervision</i>	In recent OECD discussions in relation to the liberalization of private pension markets, one obstacle identified was insufficient cooperation between pension supervisory authorities worldwide. The IOPS could therefore play an important role in further promoting the exchange of information between supervisory authorities, supporting MOUs between organisations and even potentially promoting the further development of cross-border pension provisioning through mutual recognition of supervisory authority etc. Such a project should be closely coordinated with the IAIS which has extensive experience in such issues relating to the field of insurance. Such work is also recommended by the cross-border supervision paper and suggested in the revised IOPS on-site/off-site guidelines.
<i>Fit and Proper Tests in relation to cross-border management of pension assets</i>	The report on cross-border supervision suggests that the IOPS could develop work laying out what constitutes ‘fitness and propriety’ for asset managers and administrators, in order to ensure consistency and assist the cross-border supervision of such services.
<i>Guidelines on conduct of business related to pension products</i>	Suggestion derived from the DC Information project
<i>Projections</i>	Suggestion derived from the DC Information project
<i>Default Options</i>	Suggestion derived from the DC Information project
<i>Information on DB pension funds</i>	Suggestion derived from the DC Information project
<i>Stocktaking on actual supervisory policies related to alternative investments</i>	Request from delegates to follow up on the release of good practices for the supervision of risk management of alternative investments
<i>Operational organization of integrated supervisory authorities</i>	Following the initial analysis carried out as part of the supervisory structures project, further investigation of how integrated authorities operate is suggested (e.g. whether division are organized on a functional or sectoral basis etc.)
<i>Case studies on salient recent issues dealt with by pension supervisors</i>	Development of discussions and presentations delivered as part of the Tour d’Horizon
<i>Trustee qualifications</i>	Suggestion from members
<i>The relevance of whistleblowing reports to supervisors</i>	Suggestion from members

<i>Accounting standards and pension valuation issues (taking into consideration current developments in the EU)</i>	Suggestion from members
<i>Supervisory issues related to solvency standards</i>	Suggestion from members
<i>Pension supervisory techniques vs. other financial sectors</i>	Suggestion from members
<i>Non-legal approaches to securing compliance with regulation</i>	Suggestion from members
<i>Supervisory systems and extreme risks</i>	Suggestion from members
<i>International reporting comparison</i>	Suggestion from members
<i>Pension fund liability valuation methods</i>	Suggestion from members
<i>Documentation of supervisory methods</i>	Suggestion from members
<i>Pension supervisory issues related to insurance companies</i>	Suggestion from members
<i>Pension guarantee funds</i>	Suggestion from members
<i>Measuring the effectiveness of supervision</i>	Suggestion from members
<i>Strategic planning among pension supervisory authorities</i>	Suggestion from members
<i>Supervisory issues specific to personal pension plans</i>	Suggestion from members