

# **THE INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS (IOPS)**

## **PROGRAMME OF WORK AND PROJECT PROPOSALS 2011**



## DRAFT PROGRAMME OF WORK 2011

### I. On-going Projects

1. The Technical Committee previously agreed to undertake the following work in 2011:
  - **Revised Good Practices for the Oversight of Alternative Investments:** following the 2010 “stock take” on regulations, market practice and risk-management of alternative investments by pension funds in IOPS and OECD countries, IOPS and OECD members agreed to jointly revise the *Good Practices in the Risk Management of Alternative Investments by Pension Funds* (which were approved by the IOPS in 2007), drawing on lessons from the stock taking exercise and subsequent IOPS and OECD work on risk-management and asset management. **Project team: IOPS Secretariat, OECD Secretariat**
  - **Investment Implementation:** also following on from the alternatives stock taking exercise, the central focus of this project will be on issues in the implementation of investment policies of pension funds, such as liquidity risks, unforeseen risk exposures, the importance of adequate investment mandates and valuation issues. Case studies will be drafted by the Netherlands and other IOPS members. The final report will be targeted for release as a Working Paper during 2011: **Project team: Netherlands, IAA, Germany, Namibia**
  - **Information for DC Scheme Members: Part II** of the DC information project will examine how supervisory authorities themselves can act as a source of comparative, objective information for pension fund members. It is also proposed that the project looks at the information provided by pension supervisory authorities during the recent financial and economic crisis. Further work may be coordinated with the OECD (e.g. on pension projections, focus groups, and possibly conducts of business): **Project team: Italy, Chile, Austria, Spain, Korea**
  
2. As part of the *Tour d’ horizon*, the Technical committee regularly reviews major developments related to the supervision of private pensions, building on information provided by members on major reform in their countries. As previously agreed, given the recent turmoil in financial markets, it was envisaged that urgent projects or work priorities may arise from discussions which take place as part of the Tour, and that the review may also include discussion papers on topical issues provided by the Secretariat. The IOPS Secretariat has consequently launched a project paper as part of the ‘Tour d’Horizon’ work reviewing major developments related to the pension supervision worldwide:
  - **Structure and Organisation of Pension Supervisory Authorities:** the issue of how pension supervisory authorities should be structured in order to execute their functions most efficiently and effectively has often raised at discussions surrounding the *IOPS Toolkit for Risk-based Supervision* and at various IOPS workshops. The topic of how to organise financial supervision in general is also high on the agenda of policy makers in several countries, following the financial and economic crisis of recent years and the perceived failings in the oversight of financial systems. This paper will gather and summarize the information touching on this subject which has already been produced by the Organisation in relation to various project and working papers and the

Toolkit. IOPS members will provide case studies explaining how their organisations are structured, as well as how these structures have altered in recent years and why. As well as being of practical use to IOPS members, this paper may prove useful to the wider financial community and could be used to promote the work of the IOPS within other international forum. **Project team: IOPS Secretariat, UK**

## II. Other On-going Work:

- **IOPS Toolkit:** it is also envisaged that further work will be undertaken on the IOPS Toolkit. This would include updating and adding case study material to illustrate practical challenges which were encountered by IOPS members when moving to RBS and how these were overcome. **Project team: IOPS Secretariat**
- **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. The latest version of this database was published in 2009. Building on this database, pension system overviews and detailed regulatory and supervisory information for the majority of IOPS members are available on the IOPS website. The statistical information is updated annually (in time for the Annual General Meeting). Due to changes in funding, the role undertaken by the partners of this project will be adapted and the resources need to continue with the database will be reviewed. **Project team: IOPS Secretariat, OECD**
- **Technical Assistance - outreach meetings:** in 2011 a regional workshops is planned for the MENA region and a supervisory reform support workshop with the Pension Commission in Nigeria. Other events could be organized if demand arises and resources allow.

## III. New IOPS Projects

6. At the occasion of the IOPS Technical Committee meeting held on 1 November 2010 in Sydney, Australia, the IOPS members voted on the projects for which they wished to launch work.

7. The projects which received the largest number of votes, and so for which work will be launched in 2011 are the following:

- **Role of supervisors in financial education related to plan members:** Chile was assigned as project leader for this work, to be supported by Kenya, Poland, South Africa and Panama.
- **Supervisory oversight of pension intermediaries:** South Africa volunteered to be project leader for this work, supported by Chile, Italy, Turkey, Poland, Hong Kong, India and Spain.

8. A third project also ranked very highly in the priorities of the IOPS members. If time and resources allow, work will also be launched on the following project during 2011:

- **Stress tests for pensions:** Mexico will lead this project with the assistance of Australia.

#### IV. Potential Joint Projects with OECD

3. The IOPS has partnered successfully with the OECD in previous years on projects of joint interest to pensions supervisory agencies, regulatory bodies and government policy making agencies around the world. In addition to joint standards and guidelines, research working papers have been published under the IOPS and OECD pension related series, and work has been presented and joint IOPS/OECD seminars and the annual Global Forum.

4. For 2011, the OECD has outlined the following area of work in the bilateral (2011/2012) Programme of Work for the Insurance and Private Pension Committee.

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| <p><i>Addressing the contribution of insurance markets and private pensions to growth, infrastructure development, and financial stability</i></p>                                | <p>For private pensions, the work would focus on the prudential regulation of pension funds and implications for financial stability, growth and development: the recent crisis has highlighted some weaknesses in pension fund risk management and has also called into question some regulatory initiatives.</p> <p>Further work could also assess the implications of changing pension fund investment, funding and risk management strategies to financial stability, growth and development, including issues such as the role of pension funds in the financing of SMEs, “green” infrastructure and technological innovation, and their behavior as responsible shareholders.</p>  |
| <p><i>Addressing policy and regulatory issues related to increases in financial risks and their transfer to households from an insurance and private pensions perspective</i></p> | <p><i>Financial education and consumer protection</i></p> <p>For <b>private pensions</b>, a new output result would be developed, on <b>consumer protection and financial literacy in the pensions sector</b> building on some of the work carried out in 2009-10. This output result would include work on financial education and awareness related to pensions, developed through the OECD International Network on Financial Education. It would extend work on national public communication campaigns and include an assessment of the role of different stakeholders in improving pension awareness and education. More generally, this output also includes policy issues related to financial consumer protection in the area of pensions, including issues related to regulation of sales agents and pension advisers.</p> |
| <p><i>Addressing financial policy issues related to ageing, pensions, long-term savings, and the pay-out phase of private pensions</i></p>  | <p>i. <b>Pension plan design, the pay-out phase and retirement income adequacy</b>: this output would evaluate basic aspects of the regulation of DC plans to improve retirement income adequacy. It would evaluate default options in both the accumulation and pay-out phases and consider how well pension providers are dealing with longevity and investment risks. The work could also include an assessment of retirement income adequacy in different countries, contributing to the work carried out by DELSA with information on voluntary pension arrangements and other long-term savings.</p> <p>ii. <b>The impact of regulation and taxation on pension provision and retirement savings</b>: this output would address tax and international aspects of pension provision, such as the provision of pensions for</p>  |

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|  | internationally mobile workers and the development of cross-border pension services. It could also be extended to cover other aspects such as competition in pension provision, pension fund governance and operational efficiency, and the development of pension plans for small employers. |
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5. Within these proposals, the following project is suggested which could be launched jointly by the IOPS/ OECD under the financial stability work stream:

- ***Pension Funds and Active Share Ownership:*** The *OECD Principles of Corporate Governance* outline the importance of institutional investors as active shareholders. Given institutional shareholders are now the main owners of shares in many equity markets, with pension funds playing a major role, this oversight role is increasingly important. Yet – as the recent economic and financial crisis showed – most pension funds are failing to take up this task. This project would therefore look at what can be done to help pension funds and other institutional investors fulfil their important oversight role. A questionnaire would be circulated to IOPS / OECD members to establish the regulations and market practice in different countries relating to pension funds exercising their share holder rights. A paper would be drafted – drawing on existing OECD corporate governance work – and presented along with a discussion at a seminar to be held on the occasion of the back-to-back meetings of the IOPS Technical Committee and the OECD’s Working Party on Private Pensions in June 2011.

## Timetable 2011

| Project   | Oct-2010 | March-2011          | June -2011                | October-2011             |
|---|----------|---------------------|---------------------------|--------------------------|
| <i>Revised Good Practices Oversight Alternative Investments</i>   | Outline  | Update              | Finalize for consultation | Approve                  |
| <i>Investment Implementation</i>  | Update   | Update              | Approve as working paper  |                          |
| <i>Information for DC members Part II Structure and Organisation of Pension Supervisory Authorities</i> | Outline  | Questionnaire       | Update                    | Update                   |
| <i>Toolkit Material</i>   | Outline  | Update              | Update                    | Approve as working paper |
| <i>Database</i>   |          | Outline             | Update                    | Approve                  |
| <i>Technical Assistance</i>   |          | Request information | Update Database           |                          |
| <i>Role of supervisors in financial education related to plan members</i>                               |          | Q1 Mena Workshop    | Q2 Nigeria Workshop       |                          |
| <i>Supervisory oversight of pension intermediaries</i>  |          | Outline             | Update                    | Update                   |
| <i>Active Share Ownership</i>   |          | Outline             | Update                    | Update                   |
|   |          |                     | Update                    | Approve as working paper |