

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

**REVISED PROGRAMME OF WORK 2013/2014**

**5 November 2013**

**Seoul, Republic of Korea**



## REVISED PROGRAMME OF WORK 2013/2014

### I. On-going Projects

1. The following projects are currently being undertaken by the Technical Committee and will continue in 2013/2014:

- **IOPS Good Practices for Governance of Pension Supervisory Authorities:** IOPS Principle 10 on Governance states that “the supervisory authority should adhere to its own governance code and should be accountable.” The self-assessment review noted this as being one of the less well implemented Principles. The need to strengthen checks within the decision making process, along with other forms of internal control, was also highlighted. The lack of formal performance evaluation systems within many IOPS Members has also been previously discussed. Building on the work and surveys already undertaken by the IOPS on the topic of internal governance (i.e. Working Paper No. 10 ‘Governance and Performance Measurements for Pension Supervisory Authorities’), the IOPS Good Practices for Governance of Pension Supervisory Authorities were prepared. The document was endorsed during the AGM in Seoul in November 2013. As well as being a useful check of the governance practices of the more established IOPS members, it is hoped that these good practices would be a useful guide for newer IOPS members who have recently established their supervisory authority. *Project team: IOPS Secretariat*
- **Update of IOPS Work on Costs and Fees:** the IOPS previously undertook work analysing the costs and fees which apply to pension funds in different IOPS jurisdictions. The current document provides an update on maximum and average fees charged in surveyed jurisdictions, historical trends in costs and charges, as well as the updated values of charge ratios in several countries. More discussion has been given to the comparability problem. The document was approved for publication during the EC meeting in Seoul in November 2013. *Project team: Costa Rica, Hong Kong, India, Italy. The work costs will continue with OECD/World Bank.*
- **Stress Testing and Scenario Analysis of Pension Plans:** The IOPS Secretariat conducted a qualitative study on stress testing of pension funds – exploring and comparatively assessing the current stress testing models and mechanisms in place. In future, more work could be undertaken to possibly produce some high level ‘guidance’ drawn from the comparative analysis on the elements and factors that should be considered by both pension funds and pension supervisors in designing, applying and evaluating stress testing models. The present study was built up on country case studies and input from the Members. The document was approved for publication during the EC meeting in Seoul in November 2013. *Project team: Mexico, Australia*
- **Supervising the distribution of annuities and other pension pay-out products:** The current version of the paper provides an overview of retirement products that are currently available in IOPS jurisdictions. It discusses how annuity products are sold and supervised in IOPS Member countries, and provides an update of the Chilean and UK cases. The section on supervisory challenges and possible solutions has been completed on the basis of two questionnaires sent to the Members.. *Project team: UK, Chile, IAIS*
- **Role of pension supervisory authorities in automatic enrolment:** This project focuses on the role of pension supervisory authorities in automatic enrolment and the issues that supervisors

have to address when preparing, implementing and overseeing compliance with automatic enrolment requirements. The current version of the paper tries to identify the main directions/focus for the supervisory control and offers an overview of supervisory policies and approaches when overseeing automatic enrolment programmes. The draft paper draws on the experience of jurisdictions that introduced automatic enrolment at the national level (Italy, New Zealand, and United Kingdom) and for self-employed category in Chile and occupational pension plans in United States. IOPS Members are invited to provide comments on the current draft. **Project team: Chile, Brazil, Colombia and Ghana**

## II. New IOPS Projects

2. The following projects constitute work which derives as a consequence of previous projects which will be completed in 2014:

- **Target retirement income:** Following on from the work on default options and stress testing for DC pensions, IOPS Members have previously expressed an interest in developing further work on how to assess DC funds vs. some sort of replacement rate or income target. As this is still academic/ theoretical work, the first part of the project will be to update members as to the latest developments on this topic (including an update from Chile which is looking to introduce such a measure and the World Bank which are working on such an indicator for Lithuania). Indirect examples of how this sort of assessment takes place could also be considered, including: Netherlands indexation; insurance ALM; pension funds which already undertake such exercises themselves (examples from Brazil, Australia and others). This work was launched in autumn 2013. **Project team: Chile, Netherlands, Armenia**
- **Role of actuarial review and calculations in pension supervision:** This project is being developed jointly with the International Actuarial Association (IAA). The paper will be built upon the findings from a survey run amongst the actuaries and another one run amongst the supervisory authorities. **Project team: IAA, Albania, Hong Kong, China, South Africa, and Switzerland**
- **Low income group pension coverage project:** status to be determined

3. Possible themes for research in the future would include, depending on the Members' interests, the following:

- **Calculation of charge ratios:** This would constitute wider calculation exercise upon agreed common methodology. This would require from the Members an effort to allocate several categories of costs, which usually are deducted from members pension assets such as: underlying funds costs, custodian costs and guarantee costs;
- **Supervisory issues related to consumer protection in pensions systems:** This topic refers to the current work of the G20/OECD Task Force on Financial Consumer Protection. IOPS Members might be interested in producing a formal paper that would describe the current structure of pension consumer protection, interactions with other areas such as insurance, methods of financing, statistical information on main consumer problems and possible solutions of handling them.
- **Long-term investment financing by pension funds:** The IOPS would identify the "pension" obstacles to long-term investment financing by pension funds and discuss their rationale and possible alternatives.

### III. Other On-going Work:

- **Tour d' horizon:** as part of the Tour, 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, it is 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. Likewise, papers on research issues or describing particular supervisory experience may be drafted by IOPS members.
- **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.
- **Key Risk Indicators:** One topic risk assessment/ risk management topic which could be explored in greater depth (either within the Toolkit or as a stand-alone but related paper) is early/ forward-looking detection of risk exposures. The IOPS could evaluate early warning risk indicators, commonly referred to as Key Risk Indicators (KRIs) as they are applied by pension funds, looking specifically at the following: What are KRIs? The role of KRIs; Types of KRIs; KRI methodology (high-level overview); Use and current practices of KRIs in pension funds (comparative member study); Future trends (e.g. linking KRIs to a measure of capital or reserve).  
**Project team: IOPS Secretariat**
- **Statistics / Database:** IOPS Members currently provide statistical data via the OECD's Global Pensions Statistics Project. The statistical information is gathered annually. This data collection process will be further reviewed and strengthened during 2013-2014. In addition, the International Social Security Association (ISSA), IOPS and OECD have built Complementary and Private Pensions database. Since 2011, the IOPS and the OECD are responsible for managing the review and extension of the information contained in the database. Each year about 20 countries' profiles are being reviewed or updated. **Project team: IOPS Secretariat, OECD**
- **Technical Assistance - outreach meetings:** On 4-5 September 2013 a regional workshop on pension supervision for African region was held in Nairobi, Kenya, jointly with the Kenyan Retirement Benefits Authority and Making Finance Work for Africa (African Development Bank). Other events could be organized in 2014 if demand arises and resources allow.
- **Case Study:** other international organizations (BIS/ IAIS) will be asked if they have case studies as part of their existing training material which could be appropriate for the IOPS Membership.

### IV. On-going Projects with Other Institutions

- **Pensions and Financial Sector Stability:** the IOPS has been in contact with the Financial Stability Board (FSB) regarding their work on financial sector stability and Systemically Important Financial Institutions, particularly in relation to the low interest rate environment and also relating to credit rating agencies. The IOPS may especially be expected to provide further input for the latter. The IOPS will continue the dialogue with the FSB to ascertain whether the pension sector can be included in their macro stability work. The Secretariat has also reminded the FSB to include IOPS for any further work on non-banking and insurance entities which would cover pension funds.

- ***IOPS Principles as part of FSAP Reviews:*** work with World Bank on any necessary revisions to Principles or methodology could be undertaken to see how IOPS Principles could be made more ‘practical’ and better integrated into FSAP process.
- ***Consumer Protection:*** The OECD is currently developing further guidance following on from the adoption of the G20 High Level Principles on Financial Consumer Protection (the IOPS has been represented at the Task Force on this issue by the Secretariat). The IOPS continues to be involved in follow up work on elaboration of effective approaches relating to these Principles (specifically any sectoral based work relating to pensions).
- ***Other G20 work:*** the IOPS may also be asked to contribute sectoral expertise to other G20 projects. The POW will be updated to reflect such requests as required.
- ***OECD Projects:*** the IOPS has partnered successfully with the OECD in previous years on projects of joint interest. For 2013-2014, the OECD is working on the following topics, which the IOPS could potential contribute to: ***Long-term Investing*** (further work on pension fund investment in infrastructure in emerging markets is planned); ***Mortality assumptions and longevity risk*** (mortality tables from IOPS member countries could be included in this project); ***Retirement Savings Adequacy*** (IOPS members could volunteer to provide data for OECD projections to be run for their country); ***Annuity products***; and ***Financial incentives and retirement savings***.

Timetable 2013 / 2014

Project	February-2013	June-2013	November-2013	Q1 2014	Q2 2014	Q4 2014
<i>Good Practices for Governance of Pension Supervisory Authorities</i>	Revised Draft	Revised Draft – for public consultation	Approved GPs			
<i>Update on Costs and Fees</i>	Update	Update	Approved as Working Paper			
<i>Stress Testing and Scenario Analysis of Pension Plans</i>	Update	Update	Approved as Working Paper			
<i>Supervising the distribution of annuities</i>	Outline	Update	Update	Update	Approve as working paper	
<i>Role of pension supervisory authorities in automatic enrolment</i>	Outline	Update	Update	Update	Approve as working paper	
<i>Role of actuarial review and calculations in pension supervision</i>				Outline	First draft	Update
<i>G20/ FSB Work</i>	As required tbc					
<i>Target Retirement Income</i>			Outline	First draft		Update
<i>Toolkit Material / Key Risk Indicators</i>	Update	Update	Update			
<i>Statistics / Database</i>	Request information	Update Database		Request information	Update Database	
<i>Technical Assistance</i>		Agreement to hold Africa Workshop with MFW4A in September 2013				