

REVISED PROGRAMME OF WORK 2021-2022

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Virtual meeting



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REVISED PROGRAMME OF WORK 2021-2022

The aim of this document is to provide an update on the projects currently being developed or to be realised under the IOPS Programme of Work 2021-2022 approved at the virtual AGM in November 2020.

I. IOPS 2019-2024 strategic priorities

The IOPS Strategy 2019-2024¹ approved at the AGM in October 2018 indicates that the Organisation “should focus on anticipating major developments in areas covered by IOPS, identify areas relevant for future standard-setting work and produce relevant international guidelines and tools in supervisory area that will reflect major private pensions developments and that will match IOPS’s standard-setting role and increase its international visibility.”

According to the Strategy, IOPS should, therefore, pursue its work on the following strategic priorities:

- “Extend the supervisory knowledge and develop the international guidelines and good practices in the area of **investments and risk management**;
- Update and further develop supervisory knowledge and the international guidelines and good practices in the area of **Risk-based supervision (RBS)** in private pensions;
- Build the supervisory knowledge and develop the international guidelines and good practices in the area of **Fintech and Digitalization** in private pensions;
- Continue **developing and updating international supervisory standards and good practices** by conducting research and provision of supervisory guidance in the area of identified challenges faced by supervisors;
- Undertake **research** into selected supervisory issues as identified by IOPS members;
- Provide **technical assistance** to IOPS members for selected regulatory and supervisory issues and challenges;
- Continue work on improving the internal and external **communication** of the Organisation”.

II. On-going projects

The following projects are currently being undertaken by the Technical Committee; some of them suffered from the impact of the COVID-19 crisis and, therefore, continue to be developed or finalised as part of the new 2021-2022 Programme of Work (POW):

- **Risk-based supervision (RBS)**: update and development of supervisory knowledge and the international guidance and good practices. The work includes 1) finalising a report on risk-based issues (lessons learnt), as well as 2) further updating and creating country case studies. The next step will consist of 3) developing new standards and practical guidance arising from the research on best practices and lessons learned. Under this priority, IOPS will 4) continue organising technical trainings or workshops on selected key issues, possibly back to back with the IOPS Committee

¹ <http://www.iopsweb.org/IOPS-Strategy-2019-2024.pdf>

meetings and during regional out-reach IOPS meetings. One workshop on RBS is scheduled for December 2021.

Project team:

Project Topic	Member's Participating
New guidelines/good practices on risk-based supervision	Australia, Brazil Mexico
Technical training/workshop on risk-based supervisory issues	Australia, Hungary Mexico
Report on risk-based supervisory issues (lessons learnt)	Australia, Colombia, Zimbabwe
RBS (in general)	Germany, Uganda, Mexico

- **Digitalisation²:** The new project in this area will analyse how digitalisation can make the supervision of pension plans easier and more efficient.

Possible work can also include researching and developing guidelines or good practices on technical experience and lessons learned by IOPS Members in the area of FinTech supervision (potentially cyber-security). In addition, a members-driven project could be launched to focus on the theme “How can digitalisation further increase pensions’ plan coverage and adequacy, including for informal sector (or non-standard) workers?”

Project team:

Project Topic	Member's Participating
New principles for Fin-Tech supervision, potentially with a focus on cyber-security	Kenya, Italy, Hong Kong (China) Digitalisation in general – Zimbabwe Mexico
How can digitalisation further accelerate pensions’ plan coverage?	Chile, Hong Kong (China), India, Kenya, Romania, Zimbabwe Mexico
How can digitalisation make the supervision of pension plans easier and more efficient?	Hong Kong (China), India, Mexico, Turkey Zimbabwe

- **Data collection by pension supervisors:** This project will revise IOPS 2011 Working Paper No. 14 “Efficient data collection”. The paper will provide updated guidance (built on a bigger number of jurisdictions and their most recent experience) on the factors pension supervisors should consider when deciding what information they need to obtain, and on how such information can be collected

² This is a continuation of the previous work on digitalisation undertaken by IOPS – see its Working Paper No. 33 ([Impact of the digitalisation of financial services on supervisory practices in the private pension sector](#)), published in 2019 and the upcoming report on supervisory measures to enhance cyber resilience in the private pension sector. The work on this report was postponed due to Covid-19 crisis.

and handled efficiently. Particular focus will be given to information required for a risk-based approach to supervision. Suggestions and examples will be provided on how supervisors may identify information needs and on the practicalities of obtaining (and sharing) information from different sources.

Project team: Germany, Mexico, Uganda and Zimbabwe.

- **Supervisory lessons learnt from Covid-19:** In the framework of, and in response to, the COVID-19 crisis, the IOPS decided to urgently adapt its Programme of Work. In this respect, the IOPS produced its position note (IOPS statement on pension supervisory actions to mitigate the consequences of Covid-19 crisis³). This appears to be the highest priority topic where the work should be pursued by collecting and sharing jurisdictions experiences. Based on the feedback received from the Members, the Covid-related project should focus on two themes:
 - a) How to increase the resilience of pension supervision and pension system against shocks; and
 - b) Assessment of effectiveness of supervisory and regulatory measures introduced during the crisis

In addition to lessons learnt from Covid-19, the project could also consider what supervision will look like in the “new normal” environment.

Project team: Chile, Ireland, Kenya, Uganda and Zimbabwe.

- **Implementation of ESG guidelines:** This project was initialised in May 2021 by a workshop on the implementation of IOPS supervisory ESG guidelines and sustainability disclosure. It will develop a practical guidance or toolkit on the implementation of IOPS supervisory guidelines on the integration of ESG factors in the investment and risk management of pension funds⁴. These implementation guidelines will help IOPS members to apply the Supervisory ESG guidelines in practice.

Project team: Brazil, Chile and Mexico.

- **Investment guarantees in DC pension systems:** This is a members-driven project that is in line with IOPS objectives to promote further members-lead activities. The project will explore the use of money-back or minimum return guarantees in DC pension schemes in different jurisdictions. In this context, DC pension schemes are defined as funded pension schemes where benefits are directly linked to contributions paid in the scheme and to the returns earned over time from their investment in the financial markets, except for some form of guaranteed minimum return.

Project team: Armenia, Chile, Croatia, Italy and Ukraine.

III. Programmed projects awaiting realisation

The following two sets of projects, relating to other IOPS priorities, were qualified for later realisation in 2020 but were not started and will, therefore, depending on capacity, be undertaken in 2022:

A) standards related work

³ <http://www.iopsweb.org/IOPS-statement-on-pension-supervisory-actions-Covid-19-crisis.pdf>

⁴ <http://www.iopsweb.org/IOPS-Supervisory-guidelines-integration-ESG-factors.pdf>

- **Revision of the IOPS Principles of Private Pension Supervision:** The IOPS Governing Membership agreed at its Berlin meeting on 29 October 2015 on the need to revise the IOPS Principles of Private Pension Supervision which were previously revised in 2010, in light of the current revision of the OECD Core Principles of Private Pension Regulation, which include the IOPS Principles as its Core Principle 6 and developments in private pension market landscape and the supervisory techniques and approaches that have taken place since the last revision of the Principles.

The revision started in the second half of 2016 and resulted in identifying some basic editorial and updating changes that needs to be introduced to the text of Principles. In 2019, as part of this project, the IOPS finalised and published its Supervisory guidelines on the integration of ESG factors in the investment and risk management of pension funds.

There might be a need to reconsider the Principles again to analyse whether some principles need to be upgraded or new ones introduced. In particular, bearing in mind the recent developments, it might be desirable to introduce a new principle on digital supervision (with relevant guidelines developed afterwards) or to review the principle regarding risk-based supervision in light of the learnings of the risk-based supervision project.

- **Updating previous instruments** (standards, guidelines and good practices⁵): The Members will decide on the instrument(s)⁶ that should be revised as a part of 2021-2022 Programme of Work, possibly in the area of risk based supervision, governance and investments.

Project team: CAPSA (Canada), China, Romania, Turkey (Pension Monitoring Centre), Zimbabwe.

B) Supervision of pension investments

- This project was identified by the Members as the third priority (next to risk-based supervision and digitalisation) of IOPS work for 2019-2020. The potential areas can cover supervision of investment in complex/structured products (including low-interest rate issues), and supervision of sustainable investments. The Members indicated their preference to start the project on supervision of pension investments in 2022.

Project team: Armenia and Zimbabwe.

IV. Members-driven projects for potential realisation

The following topics have been listed as potential projects that may directly be supported by the Members for realisation in 2022:

- **Transparency and benchmarking:** The aim of this project would be to help supervisors understand the outcomes ('value for money') that pension funds/schemes are delivering to their members and, consequently, identify entities that require supervisory action against underperformance. The project

⁵ <http://www.iopsweb.org/principlesguidelines/#d.en.192277>

⁶ For example: OECD/IOPS Guidelines on the Licensing of Pension Entities (2008); IOPS Guidelines for the Supervisory Assessment of Pension Funds (2008); IOPS Guidelines for Supervisory Intervention, Enforcement and Sanctions (2009); OECD/IOPS Good Practices on Pension Funds' Use of Alternative Instruments and Derivatives (2011); OECD/IOPS Good Practices for Pension Funds' Risk Management Systems (2011).

would identify global best practice in improving transparency (i.e. data disclosed by pension funds) and benchmarking (based on performance measures, including fees and risk-adjusted returns).

- **Data disclosure by pension funds and schemes:** The project could cover both accumulation and decumulation phases. In the accumulation phase potential areas for research include: 1) review minimum standards for data disclosure to members and mandatory information requirements on pricing, charges and other financial considerations for trustees and service providers (e.g. commissions for outsourcing); 2) review and assess cost indicators offered by pension funds/schemes and their comparability; 3) analyse whether the annual costs relative to the value of the scheme reflect in the longer run good value for money.

This project could also analyse the disclosure or advice given to members during the decumulation phase and the reporting provided. For example, how and to what extent disclose the information on annuity (or other retirement products) to individuals could facilitate their informed decisions?)

- **Supervisory issues in the decumulation phase:** The project would gather information and experiences on how IOPS jurisdictions approach the supervision of the decumulation phase, particularly in DC arrangements.

Potential areas for research may include 1) plans to allow for early access to pension savings for housing, medical and educational needs; 2) longevity risk management in income drawdown products, 3) lessons from introducing centralized annuity provider (e.g. Lithuania) and electronic quotation systems (e.g. Chile, Macedonia) to facilitate comparison and choices of retirement products offered by insurance companies and programmed withdrawals.

- **Financial repressions in the case of pension funds:** The term “financial repression” relates to the situation “when governments implement policies to channel to themselves funds that in a deregulated market environment would go elsewhere. Policies include directed lending to the government by captive domestic audiences (such as pension funds or domestic banks), explicit or implicit caps on interest rates, regulation of cross-border capital movements, and (generally) a tighter connection between government and banks, either explicitly through public ownership of some of the banks or through heavy ‘moral suasion’.”⁷ Financial repression issues are the result of ‘macroprudential regulation’ with the use of which governments aim to ensure the financial stability of an entire financial system⁸.

This project, which could be undertaken jointly with the World Bank, would investigate the role of investment limits and other investment-related regulations may potentially have in constraining pension funds from optimal investment in the best interest of its members.

- **Pension funds in post-Covid recovery:** This project, which could be done jointly with the Working Party on Private Pensions, would look at the role of pension assets in financing recovery programmes, potential benefits and risks to pension funds/schemes members, financing vehicles, due diligence and any other issues that pension supervisors would need to take into account when allowing and supervising such investment programmes. The project would also discuss the inevitable trade-offs faced between microprudential and macroeconomic policies.

⁷ Carmen M. Reinhart, Jacob F. Kirkegaard, and M. Belen Sbrancia (2011), “Financial Repression Redux”, *Finance & Development*, Vol. 48(1), International Monetary Fund, Box. 1, <https://www.imf.org/external/pubs/ft/fandd/2011/06/reinhart.htm>

⁸ Ibidem.

- **Any other issues directly supported by Members’ activities and resources.** Members are invited to volunteer to form the group(s) working on thematic project(s) of their interest and that are related to the IOPS mandate. The IOPS Secretariat would provide logistical support to such activities.

V. 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 d’Horizon, and that the review may also include discussion papers on topical issues provided by the Secretariat. Likewise, IOPS members may draft papers on research issues or describing particular supervisory experience.
- ***Statistics/Database:*** IOPS Members currently provide statistical data via the OECD’s Global Pensions Statistics Project. The statistical information is constantly updated with the report published annually. In addition, the International Social Security Association (ISSA), IOPS and OECD continue to jointly develop and expand the comprehensive data source on the regulation of private pension systems worldwide. Each year up to 20, jurisdictions’ regulatory profiles are being updated and/or created for inclusion in the joint ISSA/IOPS/OECD Complementary and private pension’s database. Most recently, short supervisory profiles available on the IOPS web-site in the section “Research by jurisdiction/territory”⁹ are being updated and new profiles created.

Project team: IOPS Secretariat, OECD.

- ***Update on fees charged in IOPS jurisdictions:*** From 2020, the IOPS Members are requested to update annually a short information about asset-weighted market averages and maximum legally allowed fees charged in their jurisdiction. The updated information will be made available via Members’ Space.

Project team: IOPS Secretariat.

- ***Update on variables used for pension projections in IOPS jurisdictions:*** From 2022, the IOPS Members will be requested to update annually a short information on the variables used for producing pension projections in their jurisdiction. The updated information will be made available via Members Space.

Project team: IOPS Secretariat.

- ***Technical Assistance*** – Regional outreach meeting and dedicated training programmes will be organised in 2021-2022 if demand arises and resources and epidemic situation allow. In line with the decision of the IOPS Executive Committee meetings, selected training courses could be jointly organised with the Toronto Centre.

VI. On-going Projects with Other Institutions

- ***Consumer Protection:*** Following endorsement of the G20 High-level Principles on Financial Consumer Protection in 2011, the G20/OECD Task Force on Financial Consumer Protection is currently engaged in supporting the implementation of the G20 High-level Principles. The IOPS has been represented by the Secretariat at the Task Force and may be involved in follow up work relating

⁹ <http://www.iopsweb.org/researchbycountry/>

to these Principles (specifically any sectoral-based work relating to private pensions). IOPS has also contributed to the Task Force collection exercise on the Covid-19 policy and regulatory measures.

- **Infrastructure and long-term investment:** The IOPS has been represented by the Secretariat in the meetings of the G20/OECD Taskforce on Long-term Investment.
- **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.
- **FSB:** The IOPS is ready to contribute to the work of the Financial Stability Board on projects related to private pensions and supervision.
- **OECD:** The IOPS has collaborated successfully with the OECD in previous years on projects of joint interest. During 2021-2022, the OECD Working Party on Private Pension will be working on several projects that may be of interest and open for potential collaboration between the IOPS and the OECD. They include work on revisiting the OECD Roadmap for the Good Design of DC Pension Plans, mortality tables, designs for the retirement phase, introducing and improving funded retirement arrangements, investment strategies, defaults and benchmarks; cost of running funded retirement arrangements.
- **IAIS:** The IOPS will continue collaborating with IAIS on any topical projects that relate to pension supervision.
- **NGFS:** On 6 October 2021, the IOPS was accepted as an Observer at the Network for Greening the Financial System (NGFS) and will be contributing to the work of this organisation. Potential areas include microprudential and supervision, green finance, data gaps.

VII. Summary: current, programmed and possible future IOPS projects (reflecting also the discussions held by the Technical and Executive Committees)

<u>On-going projects:</u>
<p>1. Risk-based supervision (RBS):</p> <ul style="list-style-type: none"> • A report on RBS issues (lessons learnt) • Updating existing and creating new case studies • (to be initialised) Developing new guidelines/ good practices • Organising technical training/workshops
<p>2. Digitalisation:</p> <ul style="list-style-type: none"> • How can digitalisation make the supervision of pension plans easier and more efficient? • (possible work) Developing guidelines or good practices on technical experience and lessons learnt by IOPS Members • (possible Members-driven work) How can digitalisation further accelerate pensions' plan coverage?
<p>3. Data collection by pension supervisors:</p> <ul style="list-style-type: none"> • Report • (Revised) guidance on RBS

4. Supervisory lessons learnt from Covid-19 crisis: <ul style="list-style-type: none"> • How to increase the resilience of pension supervision and pension system against shocks; • Assessment of effectiveness of supervisory and regulatory measures introduced during the crisis.
5. Guidance on the implementation of IOPS supervisory ESG guidelines
<u>Projects qualified for later realisation:</u>
Standards-related work:
1. Revision of the IOPS Principles of Private Pension Supervision.
2. Updating previous IOPS instruments
Investments-related work:
3. Supervision of pension investments (research and developing guidelines/good practices)
<u>Other regular activities of IOPS:</u>
1. Organising Tour d'Horizon as part of the Technical Committee
2. Providing statistical data via the OECD/IOPS/World Bank's Global Pension Statistics Project
3. Updating and developing the research section of the IOPS web-site, IOPS Pension system profiles and ISSA/OECD/IOPS database
4. Update on fees charged in IOPS jurisdictions
5. Update on variables used for pension projections in IOPS jurisdictions
<u>Potential projects that could be directly supported by Members' activities and resources projects:</u>
1. Transparency and benchmarking
2. Data disclosure by pension funds and schemes
3. Supervisory issues in decumulation phase
4. Financial repressions in the case of pension funds (jointly with the World Bank)
5. Pension funds in post-Covid recovery (jointly with the OECD WPPP)

TENTATIVE TIMETABLE 2022

Project	February/March 2022	June 2022	October/November 2022
<i>Priority 1: Risk-based supervision: a report on lessons learnt</i>	Approve		
<i>Priority 1: Risk-based supervision: guidelines</i>	Outline	Update	Approve
<i>Priority 2: Digitalisation: enhancing supervision</i>	Outline	Update	Update
<i>Priority 2: Digitalisation: guidelines</i>			Outline
<i>Data collection by pension supervisors</i>	Update	Update	Approve
<i>Supervisory lessons learnt from Covid-19 (one of the deliverables)</i>	Outline	Update	Approve
<i>Guidance on the implementation of IOPS ESG guidelines</i>	Outline	Update	Update
<i>Investment guarantees in DC pension systems (Members'-driven project)</i>	Update	Approve	
<i>Priority 3: Supervision of investments (programmed project pending realisation)</i>		Outline	Update
<i>Updating previous instruments (programmed project pending realisation)</i>		Outline	Update

<i>G20/FSB Work</i>	As required	As required	As required
<i>Toolkit Material</i>	Update as required	Update as required	Update as required
<i>Statistics / Database</i>	Request information	Update Database	Update Database
<i>Technical Assistance</i>	As required	As required	As required