

IOPS ANNUAL REPORT 2006

*Activities from January 2006 to December 2006
2004 and 2005 Financial Statements*

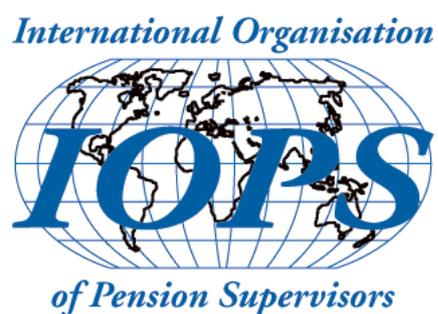


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Foreword

The International Organisation of Pension Supervisors (IOPS) is an independent international body representing those involved in the supervision of private pension arrangements. The organisation currently has around 50 members and observers representing more than 40 countries worldwide - from Australia to Zambia - covering all levels of economic development and bringing together all types of pension and supervisory systems.

The IOPS, formed in July 2004, was instigated by the International Network of Pension Regulators (INPRS), an informal network of regulators and supervisors. It was felt that a more formal, independent, body could better serve as a world-wide forum for policy dialogue and the exchange of information, as well as the standard setting body, promoting good practices in pension supervision. The major goal of the IOPS is to improve the quality and effectiveness of the supervision of private pension systems throughout the world, thereby enhancing their development and operational efficiency, and allowing for the provision of a secure source of retirement income in as many countries as possible.

The aims and purposes of IOPS can be summarised as:

- serving as the standard-setting body on pension supervisory matters and regulating issues related to pension supervision, taking into account the variety of different private pension systems;
- promoting international co-operation on pension supervision and facilitating contact between pension supervisors and other relevant parties, including policy makers, researchers and the private sector;
- providing a worldwide forum for policy dialogue and exchange of information on pension supervision;
- participating in the work of relevant international bodies in the area of pensions, including joint activities to improve statistical collection and analysis;
- promoting, conducting and facilitating the distribution and communication of research, and collecting information in co-operation with relevant international bodies

President's Report

Members

The IOPS has continued to successfully build its membership base during 2006, now consisting of around 50 members and observers. Simply listing some of the new members shows the widespread coverage which the IOPS now boasts, both geographically, and in terms of representing different pension systems: Belgium, Hong Kong, Israel, Korea, Nigeria, Trinidad and Tobago, Zambia.

Our goal for 2007 is to extend our coverage even further. A range of pension supervisory authorities – for example from Macedonia and Ukraine - have expressed interest in our organisation and we will be delighted to welcome them as members in the new year. Equally, there are still some major pension systems which are not represented at the IOPS – notably the USA – and we will work with these countries to see if their valuable input into our work can be achieved.

The IOPS is very grateful to its members who have encouraged other pension supervisory authorities to join the organisation – indeed our best source of recruitment is through our membership. I would therefore like to encourage all members to get in touch with their contacts in their regions and help work towards our goal of extending our coverage during 2007.

The IOPS saw the change of some of its executives during 2006, and would like to thank Dube Tshidi for acting as Vice President and Greg Brunner for his work as Treasurer. Solange Berstein of Superintendencia de Administradoras de Fondos de Pensiones, Chile has been elected as the new IOPS Vice President. The Australian Prudential Regulatory Authority, APRA, and Stephen Glenfield have kindly agreed to continue in the role as Treasurer and I would also like to thank Merrie Hennessy for her assistance during the treasury transition period.

Meetings

The following meetings were held during 2006:

- Executive and Technical Committee meetings: March – Santiago, Chile; July – Geneva, Switzerland; November – Istanbul, Turkey.
- Latin American Regional Conference on Private Pensions, Santiago, Chile, March 2006 – held jointly with the OECD, the meeting was attended by 150 delegates representing 40 countries and international organisations.
- Conference on the Supervision of pension systems. Warsaw, Poland, September 2006 – the IOPS participated in this international conference organised by the Insurance and Pension Funds Supervisory Commission of Poland
- 2006 Annual General Meeting, Istanbul, Turkey, November 2006
- Global Forum on Private Pensions, Istanbul, Turkey, November 2006 - held jointly with the OECD, the meeting was attended by over 200 delegates representing 38 countries as well international organisations and representatives from the private sector and academia.
- The IOPS was also represented at meetings of the CEIOPS and IAIS.

Aims

Following a period of consultation, the IOPS Governing Membership achieved a key goal by approving the ‘Principles of Private Pension Supervision’ at the 2006 Annual General Meeting. The organisation has also been successfully working towards fulfilling a range of aims and objectives during 2006, including the following:

AIM	Achievement 2004/2005
<i>Standard setting body on pension supervisory issues</i>	<p>‘Principles of Private Pension Supervision’ were opened for a period of consultation, receiving comments from a range of international organisations, supervisory authorities and industry associations. The final version of the Principles will be put to the IOPS Governing Membership for approval at the Annual General Meeting.</p> <p>The IMF have begun to use the IOPS Principles as part of their FSAP country assessment process.</p>
<i>Worldwide forum for dialogue and exchange</i>	<p>The IOPS conferences have proven successful events for launching formal discussions of pension supervisory issues of importance to international authorities, as well as allowing for more informal, bilateral contacts to be built.</p>
<i>Participate in work of relevant international bodies</i>	<p>The IOPS continues to work closely with the OECD and World Bank via joint projects, and has cooperation agreements with the IAIS, ISSA and IAA. Regular updates are also provided to and by the regional supervisory organisations in Latin America and Europe – the AIOS and CEIOPS.</p>
<i>Promote, conduct, facilitate distribution and communication of research</i>	<p>The IOPS has begun to commission research papers and has launched a working paper series – starting with the paper ‘A Review of the Costs and Benefits of Integrating Pension Regulation and Supervision with that of Other Financial Activities and Services’, drafted by the Mexican delegation. Members are encouraged to submit or suggest papers for inclusion in the working paper series.</p> <p>The IOPS is building an electronic library on its website, providing research on pension supervision and related topics (such as behavioural finance). Members are encouraged to suggest further documents for inclusion.</p> <p>Members also receive the leading academic pensions journal, ‘The Journal of Pension Finance</p>

	and Economics’.
<i>Assist countries with less developed private pension arrangements</i>	<p>The IOPS continues to build its membership amongst countries with developing pension systems, and has welcomed representatives from many developing economies to its conferences and events (for example at the Latin American conference where all the major countries from the region were represented).</p> <p>IOPS members also extend assistance to countries with developing pension systems on an ad hoc basis (such as the UK hosting representatives from Indonesia, and Kenya providing assistance to the authorities from Senegal).</p>
<i>Develop database of private pension and supervisory systems worldwide</i>	<p>The IOPS is working with its partners from the ISSA and OECD to develop a comprehensive database of statistical and descriptive information covering private pension systems worldwide, including the types of pension supervision utilized.</p> <p>Some IOPS members who were not part of the existing database (covering regulatory systems) have been added to the database and the aim is that all members will eventually have a regulatory profile. Statistical information has been collected from most IOPS members for the database and a questionnaire to gather supervisory data has been finalized.</p>

Relations with other organizations

The IOPS continued to work closely with other organisations during 2006. However, it should also be noted that the organisation’s independent status was debated during the year, following suggestions by some members that the IOPS should merge with other organisations - notably the IAIS. A questionnaire was put to members (with two-thirds of the governing membership responding), who overwhelmingly (92% of respondents) supported maintaining the independence of the organisation over the medium term. The Executive Committee supported this decision and maintained their commitment to working closely with international organisations to avoid duplication and exploit synergies in work relating to the supervision of pensions.

- **OECD:** The IOPS continues to work closely with the OECD, including launching the joint project on the licensing of pension entities, and working closely on the IOPS led project relating to information to be supplied to DC scheme members. Joint conferences on private pensions were held in Chile and Turkey during 2006 and further events are planned during 2007-2008. The OECD continues to provide Secretariat support to the IOPS via the partnership agreement signed by the two organisations in 2005.

- **ISSA:** the ISSA/ IOPS/ OECD database has been made available to IOPS members via the members' area of the IOPS website. The joint database on complementary and private pensions is currently being developed and extended by the organisations.
- **World Bank:** The IOPS remains very grateful to the World Bank for their support during 2006, including receiving a grant allowing the organisation to carry on work in the joint risk-based supervision project, to develop the database and to continue its analytical and guideline drafting work.
- **IAIS:** the IOPS signed a cooperation agreement with the IAIS during 2006, pledging to coordinate the work schedules of the two organisations in order to avoid duplication and exploit synergies. It is hoped that joint work on pension supervisory issues relating to insurance companies will be launched in 2007, for instance on guidelines for risk-based supervision.
- **CEIOPS :** the IOPS and CEIOPS continue to provide regular updates of each other's work and are coordinating closely on work relating to cross-border pension supervision.
- **AIOS:** The IOPS was grateful for the AIOS invitation to its members to attend their annual meeting, held in Mexico in May. The very interesting and informative presentations and papers from this meeting are available on the IOPS website.
- **IMF:** The IMF have begun to use the IOPS Principles as part of their FSAP country assessment process.

2007-2008 Plans

Given the steady increase in membership numbers since its launch, the IOPS has, as intended, built up surplus funds over its initial few years. Members should note that the IOPS is a non-profit organisation and that, now the membership numbers are more stable, it is intended to start to draw down these reserves. Secretariat and other project activity can therefore be expected to increase during 2007-2008.

Meetings

- | | |
|-------------|---|
| 2007 | 21 March, Amsterdam, IOPS committee meetings + 22-23 DNB / IOPS Conference |
| | 1 June, Basel, Switzerland IOPS committee meetings (back to back with IAIS) |
| | November, Beijing, IOPS committee meetings + AGM + OECD/ IOPS Global Forum |
| 2008 | Spring committee meetings Europe |
| | June, OECD Paris committee meetings (back to back with OECD WPPP) |
| | November, Mombasa, Kenya, committee meetings + AGM+ OECD/ IOPS Global Forum |



John Ashcroft, President IOPS

IOPS Principles of Private Pension Supervision

Principle 1: Objectives

Naitonal Laws should assign clear and explicit objectives to pension supervisory authorities

Principle 2: Independence

Pension supervisory authorities should have operational independence

Principle 3: Adequate Resources

Pension supervisory authorities require adequate financial, human and other resources

Principle 4: Adequate Powers

Pension supervisory authorities should be endowed with the necessary investigatory and enforcement powers to fulfil their functions and achieve their objectives

Principle 5: Risk Orientation

Pension supervision should seek to mitigate the greatest potential risks to the pension system

Principle 6: Proportionality and Consistency

Pension supervisory authorities should ensure that investigatory and enforecement requirements are proportional to the risks being mitigated and that their actions are consistent

Principle 7: Consultation and Cooperation

Pension supervisory authorities should consult with the bodies they are overseeing and cooperate with other supervisory authorities

Principle 8: Confidentiality

Pension supervisory authorities should treat confidential information appropriately

Principle 9: Transparency

Pension supervisory authorities should conduct their operations in a transparent manner

Principle 10: Governance

The supervisory authority should adhere to its own governance code and should be accountable

Report of the Technical Committee

Programme of Work (POW)

Following a consultation process, the IOPS Governing Membership approved the ‘Principles of Private Pension Supervision’ at the 2006 AGM. In addition, work on the following projects has continued during 2006. The IOPS would like to thank the project leaders for their input and all members who have taken the time to participate in project teams and provide information via questionnaire responses. It should be stressed that the work of the IOPS is very much driven by members and therefore all countries are encouraged to become actively involved in project teams during 2007.

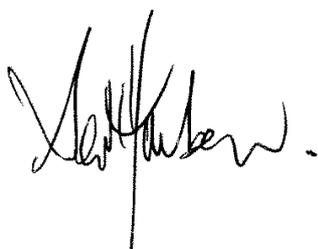
- *Utilisation of IT technology in off-site supervision:* report and country examples of the use of IT in off-site supervision produced by project leader Turkey, including suggestions for international best practice.
- *Supervisory education, outreach and communication, including training of trustees:* report on education and training by pension supervisors prepared by Kenyan project leader, including guidelines and international examples, best practice.
- *Analysis of supervisory structures:* first paper in the IOPS working series on the topic of supervisory structures drafted by Mexico. The paper is available on the IOPS website.
- *Core elements of a risk-based approach to pension supervision and strategic planning:* Country case studies on supervisory authorities with leading risk-based pension supervision systems produced by the World Bank and IOPS (Australia, Netherlands, Denmark, Mexico, UK). These will be included along with analytical papers in a forthcoming publication. Additional case studies produced by the IOPS showing challenges and lessons for other supervisory authorities moving towards a risk-based approach (Kenya, South Africa, Croatia, Germany) – to be included in the publication and case studies available on the IOPS website. A publication of joint World Bank/IOPS book will be issued during 2007.
- *Guidelines for compliance with the licensing of pension funds:* background report and country details have been prepared by project leader Australia + OECD. Guidelines to be finalized in 2007.
- *Cross-border pension supervision:* background discussion papers and project outline were produced by project leader Spain. Work will continue into 2007.
- *Information of members of DC schemes:* initial report and guidelines were produced by project leader Italy. Work to continue in 2007.

Work on extending the ISSA/ IOPS / OECD database was also begun during 2006. The first phase, including all IOPS members in the OECD Global Pension Statistics Project, was completed, with statistical data on the pension systems of all IOPS members now available via the IOPS website. Country profiles are being prepared for IOPS members not yet covered in the existing regulatory section of the database. Overviews of the pension systems in all countries are also being drafted. In addition a questionnaire has been drafted and sent to all IOPS members to gather supervisory information which will allow for the extension of the database to cover supervisory issues.

Projects

The IOPS is planning work on the following projects during 2007:

- *Core elements of a risk-based approach to pension supervision and strategic planning*: publication of joint World Bank/ IOPS book during 2007.
- *Guidelines for compliance with the licensing of pension funds*: background report and country details prepared by project leader Australia + OECD. Guidelines to be finalized in 2007.
- *Cross-border pension supervision*: background discussion papers and project outline produced by project leader Spain. Work will continue into 2007.
- *Information for members of DC schemes*: initial report and guidelines produced by project leader Italy. Work to continue in 2007.
- *Guidelines on off-site supervision* – to be drafted in 2007, incorporating work from the IT project and risk-based supervision projects.
- *Operational Risks within Pension Funds* - project leader Netherlands + Mexico, with comments from Hong Kong.
- *Review of Supervisory Systems* - project leader UK + Poland.
- *Annuitization* – a project or paper covering issues relating to annuitization may be launched by Poland and Chile during 2007.
- Joint project with the IAIS on pension supervisory issues related to insurance.
- Publication of the following under the Working Paper Series: *Review of the Costs and Benefits of Integrating Pension, Regulation and Supervision with that of Other Financial Activities and Services; Utilisation of IT technology in off-site supervision; Supervisory education, outreach and communication, including training of trustees.*
- First phase of the ISSA/ IOPS / OECD database extension to be completed – providing statistical and pension system overviews + detailed regulatory and supervisory information for all IOPS members. Work in developing matrixes and comparative data will also start.



Aerd Houben, Chairman IOPS Technical Committee

Report of the Secretariat

Main Tasks completed during 2006

Documents

- Assisted the Executive and Technical Committees in the preparation of the agendas for the committee meetings, updated Programme of Work, the Annual Budget of the Organisation, President's and other reports, including the IOPS 2006 Annual Report.
- Redrafted the IOPS 'Principles of Private Pension Supervision' based on comments received during the consultation period.
- Provided input into other IOPS project documents, including the report on the 'Utilization of IT for off-site supervision' and the risk-based supervision project.
- Assisted in the collection and dissemination of documents for other IOPS projects undertaken during 2006.
- Organised consultants to contribute to on-going IOPS projects (including risk-based supervision)
- Produced first copy of the IOPS newsletter summer 2006.

Meetings

- Organised a Latin American regional conference (joint with the OECD) in Chile, with 150 delegates from 40 countries and international organisations represented – with thanks to the Chilean delegations for their assistance;
- Organised the OECD/ IOPS Global Forum on private pensions to be held in Istanbul in November – with thanks to the Turkish delegation for their assistance;
- Assisted in the establishment, operation, preparation, and organisation of meetings for the Executive and Technical Committees (which met three times during the year) and for the Annual Meeting of the Governing Membership.
- Also provided support for the Chairmen of the committees (including presentations prepared for Executives representing the IOPS at other international events – including the IAA biannual meeting, CEIOPS, IAIS events and the supervision conference organised by the Polish supervisory authority in September).

Cooperation with Other International Bodies

- The Secretariat managed the 2006 World Bank grant allowing the IOPS to carry on work in the joint risk-based supervision project, to develop the database and to continue its analytical and guideline drafting work. In addition the Secretariat continued work on the joint World Bank / IOPS project on risk-based supervision, contracting consultants to produce case studies (for the UK, South African, Kenya and Croatia), as well as providing input into the case studies and analytical papers and drafting an overview paper.
- Arranged cooperation agreements with the IAIS.
- Contributed to the development and extensions of the ISSA/ IOPS/ OECD database on complementary and private pensions – gathering statistical information, reformatting and updating existing country information and drafting a questionnaire for new countries and material.

Administration and Others

- Communication with members and record keeping.
- Marketing to potential members and follow up with interested parties.
- Organized the nomination and election of new executive officers.
- Development of IOPS website – including launching of the members' area with direct links to the ISSA/ IOPS /OECD database and access to the pension journal. Initiation of electronic database of papers and presentations on pension supervisory related issues.

Plans for 2007 -2008

Given the steady increase in membership numbers since its launch, the IOPS has, as intended, built up surplus funds over its initial few years. Members should note that the IOPS is a non-profit organisation and that, now the membership numbers are more stable, it is intended to start to draw down these reserves. Secretariat and other project activity can therefore be expected to increase during 2007-2008.

It is expected that, in most cases, the Secretariat will increase its analytical contributions to IOPS work and projects during 2007 and 2008.

Other Secretariat activities will include the following:

- The drafting of supervisory guidelines on operation areas (such as on-site and off-site inspection), supported by the Secretariat;
- Support for the other IOPS projects identified in the POW;
- OECD/ IOPS Global Forums are provisionally scheduled for China and the African region;

- Support – including proposing agendas - for the committee meetings to be held three times a year and the Annual General Meetings;
- Continued support and communication for existing members;
- Processing of membership applications and marketing to potential new members;
- Input into on-going IOPS projects reports;
- Contracting consultants to provide input into on-going IOPS projects and commissioning IOPS working papers for the series;
- Production and development of IOPS newsletters;
- Production of IOPS Annual Report;
- Continued development of ISSA/ IOPS /OECD database.

A handwritten signature in black ink, appearing to read 'A. Laboul', enclosed within a simple rectangular box.

André Laboul, Secretary General IOPS

Executive Committee Members 2006

IOPS President and Chair of Executive Committee

Mr. John Ashcroft

Head of Strategy

The Pensions Regulator

UK

Vice-President

Ms. Solange Berstein

Superintendencia de Administrados de Fondos de Pensiones

Chile

Australia

Australian Prudential Regulation Authority (APRA)

China

Chinese Insurance Regulatory Commission (CIRC)

Germany

Federal Financial Supervisory Authority (BaFin)

Hungary

Hungarian Financial Supervisory Authority

Italy

Pension Funds Supervision Commission (COVIP)

Jordan

Insurance Commission

Kenya

Retirement Benefits Authority

Pakistan

Securities and Exchange Commission of Pakistan

Ex Officio - Netherlands:

De Nederlandsche Bank (Chair of Technical Committee)

Technical Committee Members 2006

Chairman

Mr. Aerd Houben

*Head of Supervisory Strategy Department
De Nederlandsche Bank*

Vice -Chairman

Mr. Edward Odundo

*Chief Executive Officer
Retirements Benefits Authority, Kenya*

Australia:	Australian Prudential Regulation Authority (APRA)
Austria:	Financial Markets Authority
Bulgaria:	Financial Supervision Commission
Chile:	Superintendencia de Administradoras de Fondos de Pensiones
China:	Chinese Insurance Regulatory Authority (CIRC)
Croatia:	Financial Services Supervisory Agency (HANFA)
Czech:	Czech Ministry of Finance
France:	CCAIMP
Germany:	Federal Financial Supervisory Authority (BaFin)
Hong Kong:	MPFA
Hungary:	Hungarian Financial Supervisory Authority
India:	Pension Fund Regulatory and Development Authority (PFRDA)
Ireland:	Pensions Board
Italy:	Pension Funds Supervision Commission (COVIP)
Jordan:	Insurance Commission
Kenya:	Financial Services Authority
Kosovo:	Banking and Payments Authority of Kosovo
Luxembourg:	Commission de Surveillance du Secteur Financier
Mauritius :	Financial Services Commission
Mexico :	Comision Nacional del Sistema de Ahorro para el Retiro (CONSAR)
Netherlands:	De Nederlandsche Bank
Pakistan:	Securities and Exchange Commission
Senegal:	Supervisory and Regulatory Commission of Social Security Institutions (COSRISS)
South Africa:	Financial Services Board
Spain:	Ministry of Economy and Finance
Turkey:	Undersecretariat for Treasury
Turkey:	Pension Monitoring Centre
UK:	The Pension Regulator
UK:	Government Actuary's Department
OECD	
World Bank	

IOPS Members and Observers 2006

Governing Members

Australia	Australian Prudential Regulation Authority
Austria	Financial Market Authority
Belgium	CBFA
Bulgaria	Financial Supervision Commission
China	China Insurance Regulatory Commission
Chile	Superintendencia de Administradoras de Fondos de Pensiones
Croatia	HANFA
Cost Rica	Superintendencia de Pensiones de Costa Rica
Czech Republic	National Bank
France	CCAMIP
Germany	BaFin
Hungary	Hungarian Financial Supervisory Authority
Hong Kong	MPFA
India	Pension Fund Regulatory and Development Authority
Israel	Ministry of Finance
Ireland	Pensions Board
Isle of Man	Insurance and Pensions Authority
Italy	COVIP
Jamaica	Financial Services Commission
Jordan	Insurance Commission
Kazakhstan	Financial Supervision Authority
Kenya	Retirements Benefits Authority
Korea	FSC&FSS
Luxembourg	Commission de Surveillance du Secteur Financier
Kosovo	Banking and Payments Authority of Kosovo
Mauritius	Financial Services Commission
Mexico	CONSAR
Namibia	NAMFISA
Netherlands	De Nederlandsche Bank
Nigeria	National Pensions Commission
Pakistan	SEC
Peru	Superintendencia de Banca, Seguros y AFP
Poland	Insurance and Pension Funds Supervisory Commission
Portugal	Instituto de Seguros de Portugal
Senegal	COSRISS
South Africa	Financial Services Board
Spain	Economy and Finance Ministry
Thailand	SEC
Trinidad & Tobago	Central Bank
Turkey	Pensions Monitoring Centre
Turkey	Treasury
United Kingdom	Pensions Regulator
Zambia	National Pension Scheme Authority

Associate Members

Netherlands	Ministry of Social and Employment
United Kingdom	Government Actuary's Department
ISSA	<i>Partnership Agreement</i>
OECD	<i>Partnership Agreement</i>
World Bank	

Observers

Finland	Finnish Centre for Pensions
IAA	<i>Reciprocal Membership</i>
IAIS	<i>Cooperation Agreement</i>
European Federation for Retirement Provision (EFRP)	
International Federation of Pension Fund Administrators (FIAP)	

Secretariat

Secretary General	André Laboul andre.laboul@oecd.org +33 1 45 24
Secretariat	Fiona Stewart fiona.stewart@oecd.org +33 1 45 24 14 52
Secretariat	Sally Day sally.day@oecd.org +33 1 45 24 96 61

REPORT OF THE TREASURER
FINANCIAL ACTIVITIES 2004 + 2005

The Treasurer is pleased to report that, after the successful launch of the organisation in mid 2004, the International Organisation Of Pension Supervisors (IOPS) was able to establish a solid financial basis by the end of 2005. The number of members paying fees increased from 25 in 2004 to 35 in 2005, slightly ahead of the forecast (32 members), generating €175,000 in income (again slightly ahead of the forecast membership fee revenue of €160,000). Fee payments by members have been identified and verified. However, as the organisation was in its early stages, a system for providing written invoices and receipts for these payments was not established. Such receipts will be drawn up and sent to members along with the receipts for the payment of fees in 2006.

The IOPS would also like to express its appreciation to the World Bank for their support during organisation's initial period. The grant of US\$65,000 provided by the Bank in 2005 was used by the IOPS to provide contributions to the joint project on risk-based supervision, with the IOPS producing in-depth case studies of the supervisory process in the UK, Germany, South Africa and Kenya as well as analytical input into the project.

On the cost side, the major expense incurred by the organisation during 2004 and 2005 was the Secretariat support provided by the OECD. An official partnership agreement between the OECD and the IOPS was not signed until 2005 as the organisation was in its initial start-up phase in 2004. The OECD was therefore reimbursed for its 2004 support along with the payment of 2005 Secretariat expenses. A detailed description of services provided in 2004 and 2005 was outlined in the grant reports provided by the OECD to the Treasurer.

During the period, the IOPS launched a strong Programme of Work, undertaking a series of projects ranging from risk-based supervision, to education and training issues, and from setting supervisory principles to the use of IT technology. As these projects continue and new ones are launched, it is envisaged that the analytical content of the Secretariat's role will increase, and the use of outside, professional experts and consultants is likely to increase. It is therefore envisaged that funds built up as reserves during the initial 2004 -2005 period will begin to be drawn down for project work during 2006.

Other additional costs can also be expected to increase in future as the IOPS relies less on the most appreciated support of the OECD, which was vital to the organisation during its initial years. For example, reserve funds can be expected to be used to cover costs for additional meetings and other activities as the organisation develops.



Stephen Glenfield
Treasurer
The International Organisation of Pension Supervisors
Dated: 17 October 2006

2004 Members	2005 Members
Australia	Australia
Austria	Austria
Chile	Bulgaria
Croatia	Chile
Czech Republic	China
Germany	Costa Rica
Hungary	Croatia
Ireland	Czech Republic
Isle of Man	Finland
Italy	France
Kazakhstan	Germany
Jamaica	Hungary
Jordan	India
Mauritius	Ireland
Mexico	Isle of Man
Namibia	Italy
Netherlands	Kosovo
Norway	Kazakhstan
Pakistan	Kenya
Portugal	Jamaica
South Africa	Jordan
Spain	Mexico
Thailand	Netherlands
Turkey	Netherlands (Ministry Employment)
UK	Norway
	Pakistan
	Poland
	Portugal
	South Africa
	Thailand
	Turkey
	Turkey (Pension Monitoring Centre)
	UK
	UK (Government Actuary)
	ISSA
	OECD
	World Bank

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92208 Neuilly-sur-Seine Cedex
Téléphone 01 56 57 58 59
Fax 01 56 57 62 22

Paris, 17 October 2006

Report of the Auditors
To the Members
International Organisation of Pension Supervisors

We have audited the accompanying balance sheet of the International Organisation of Pension Supervisors (the "IOPS") as of 31 December 2004 and 31 December 2005 and the related statements of income for the years then ended. These financial statements are the responsibility of IOPS's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of IOPS as of 31 December 2004 and 31 December 2005, in accordance with International Financial Reporting Standards.



Jean-Pierre MION
Partner

INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS (IOPS)

STATEMENT OF FINANCIAL POSITION

**As per 31 December 2004
(in euros)**

	2004 €
ASSETS	
Cash at bank	89,832.95
Sundry debtors	<u>8,000.00</u>
Total	<u><u>97,832.95</u></u>
 LIABILITIES AND NET ASSETS	
Liabilities	
Prepaid membership fees	53,007.00
Accrued expenses	<u>10,000.00</u>
	<u>63,007.00</u>
 Unrestricted Net Assets	
Retained earnings	-
Changes in unrestricted net assets for the current year	<u>34,825.95</u>
	<u>34,825.95</u>
Total	<u><u>97,832.95</u></u>

INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS (IOPS)

STATEMENT OF ACTIVITIES

**For the period ending 31 December 2004
(in euros)**

	2004 €
CHANGES IN UNRESTRICTED NET ASSETS	
Revenue and gains	
Membership fees	50,000.00
Total unrestricted revenue and gains	<u>50,000.00</u>
Expenses	
Bank fees and charges	174.05
Legal fees	4,126.20
OECD administration	10,873.80
Total expenses	<u>15,174.05</u>
CHANGES IN UNRESTRICTED NET ASSETS	<u><u>34,825.95</u></u>

INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS (IOPS)

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 December 2004

1 NATURE OF ORGANISATION

The International Organisation of Pension Supervisors (IOPS) is an international body representing a range of members involved in the supervision of private pension arrangements. The Organisation's members cover all levels of economic development and bring together all types of pension and supervisory systems.

IOPS is an association in accordance with French law. It is domiciled in Paris, France and receives membership fees from members worldwide.

2 SIGNIFICANT ACCOUNTING POLICIES

The accounts of the IOPS are drawn on the historical cost basis and income and expense items are recorded on the accruals basis.

3 INCOME TAXES

The Organisation is exempt from income tax.

4 REVENUE

Revenue consists of:

39,982.06	Membership Fees received
8,000.00	Outstanding Membership Fees (Refer Note 8)
2,000.00	Netherlands direct payment to OECD to contra legal costs incurred to establish IOPS
17.94	Bank fee charged from deposit by Croatia
50,000.00	

5 BANK FEES & CHARGES

Consists of:

156.11	Bank Fees
17.94	Bank Fee/charge deducted from Croatia deposit dated 16-12-2004
174.05	

6 LEGAL FEES

Legal fees of €4126.20 related to establishment and documentary expenses

7 OECD ADMINISTRATION

The amount of €10,873.80 comprised expenses of €873.30 incurred by OECD staff in drafting the IOPS By-Laws and liaising with the Organisation's lawyer, and €10,000 relating to salary and expenses for administrative assistance provided by the OECD in arranging and preparing for IOPS meetings held in July and December 2004, drafting of documents, taking of minutes and provision of support to the Organisation's President.

INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS (IOPS)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Period ended 31 December 2004

8 SUNDRY DEBTORS

The amount of €8,000 referred to in Note 4 related to outstanding membership fees for the 2004 year owed by Spain, Kazakhstan, Jordan and Turkey at the rate of €2000 each.

9 PREPAID MEMBERSHIP FEES

Consist of:

50,000.00	2005 Membership Fees received in advance
3,000.00	Netherlands direct payment to OECD to contra legal costs incurred to establish IOPS
7.00	bank error re membership fee from Kazakhstan
53,007.00	

10 ACCRUED EXPENSES

Consist of €10,000 relating to salary and expenses for administration assistance provided by the OECD in 2004 (see Note 7). This amount was paid in 2005.

11 UNRESTRICTED NET ASSETS

While the IOPS is a non-tax paying organisation and accordingly would not normally accumulate a surplus or reserves, the Organisation was newly founded in 2004 with some uncertainty as to membership revenue and expenses in the first few years. Accordingly, the decision was taken to build up some initial reserves which were to be drawn down over the coming years, spending on increased staff support and other expert and professional input into IOPS projects

INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS (IOPS)

STATEMENT OF FINANCIAL POSITION

As per 31 December 2005
(in euros)

	2005 €	2004 €
ASSETS		
Cash at bank	84,889.34	89,832.95
Short term deposit	60,000.00	-
Interest accrued	151.24	-
Sundry debtors	1,075.35	8,000.00
Total	<u>146,115.93</u>	<u>97,832.95</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Prepaid membership fees	-	53,007.00
Accrued expenses	<u>57,843.65</u>	<u>10,000.00</u>
	<u>57,843.65</u>	<u>63,007.00</u>
 Unrestricted Net Assets		
Retained earnings	34,825.95	-
Changes in unrestricted net assets for the current year	<u>53,446.33</u>	<u>34,825.95</u>
	<u>88,272.28</u>	<u>34,825.95</u>
Total	<u>146,115.93</u>	<u>97,832.95</u>

INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS (IOPS)

STATEMENT OF ACTIVITIES

**For the year ending 31 December 2005
(in euros)**

	2005 €	2004 €
CHANGES IN UNRESTRICTED NET ASSETS		
Revenue and gains		
Membership fees	175,000.00	50,000.00
Interest	151.24	-
Grants from World Bank	51,310.39	-
Total unrestricted revenue and gains	<u>226,461.63</u>	<u>50,000.00</u>
Expenses		
Audit	5,000.00	-
Bank fees and charges	404.15	174.05
Insurance	265.00	-
Grants to OECD	164,310.00	-
Legal fees	574.08	4,126.20
OECD administration	-	10,873.80
Conference expenses	2,462.07	-
Total expenses	<u>173,015.30</u>	<u>15,174.05</u>
CHANGES IN UNRESTRICTED NET ASSETS	<u><u>53,446.33</u></u>	<u><u>34,825.95</u></u>

INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS (IOPS)

NOTES TO THE FINANCIAL STATEMENTS

Year ending 31 December 2005

1 NATURE OF ORGANISATION

The International Organisation of Pension Supervisors (IOPS) is an international body representing a range of members involved in the supervision of private pension arrangements. The Organisation's members cover all levels of economic development and bring together all types of pension and supervisory systems.

IOPS is an association in accordance with French law. It is domiciled in Paris, France and receives membership fees from members worldwide.

2 SIGNIFICANT ACCOUNTING POLICIES

The accounts of the IOPS are drawn on the historical cost basis and income and expense items are recorded on the accruals basis.

3 INCOME TAXES

The Organisation is exempt from income tax.

4 REVENUE

Revenue consists of:

120,917.65	Membership Fees received
1,075.35	Outstanding Membership Fees due to payment in incorrect currency
53,007.00	Prepaid membership fees in the 2004 financial period
175,000.00	

5 GRANTS FROM WORLD BANK

Grant of €51,310.39 received from World Bank in May 2005 and subsequently transferred to the OEC. The World Bank decided to grant the amount of US\$65,000 (€51,310.39) to the IOPS to support their joint project on risk-based supervision and other IOPS work. The IOPS agreed to transfer this amount to the OECD to manage the grant on behalf of the IOPS (as IOPS does not at this stage have facilities for hiring consultants etc. directly). The physical transfer took place in 2006. The expenses are accrued in the current year (refer Note 7).

6 AUDIT

The amount of €5,000 consists of an estimate of audit fees to be paid in 2006 relating to the audit of financial statements for the periods 12 July to 31 December 2004 and 1 January to 31 December 2005.

7 GRANTS TO THE OECD

The amount of €164,310 consists of:

51,310.00	Transfer of World Bank grant (see Note 5)
113,000	Grant provided to meet secretariat and administrative support services, technical and liaison support.
164,310.00	

INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS (IOPS)

NOTES TO THE FINANCIAL STATEMENTS

Year ending 31 December 2005 (continued)

8 CONFERENCE EXPENSES

Consist of:

959.57	relates to meetings held in Bangkok, April 2005, receipts on hand
1502.5	relates to 2005 Annual General Meeting held 15 December 2005. IOPS hosted dinner for 38 delegates in Paris. Receipt not retained.
2462.07	

9 SUNDRY DEBTORS

Consists of outstanding membership fees due and payment of incorrect amounts (due to currency mismatches as some fee payments were made in currencies other than the euro).

10 ACCRUED EXPENSES

Consist of:

51,310.00	OECD management of World bank grant (see Notes 5 and 7)
959.57	Conference fees paid in 2006 (see Note 8)
574.08	Legal fees
5,000.00	Audit fees (see Note 6)
57,843.65	

11 UNRESTRICTED NET ASSETS

While the IOPS is a non-tax paying organisation and accordingly would not normally accumulate a surplus or reserves, the Organisation was newly founded in 2004 with some uncertainty as to membership revenue and expenses in the first few years. Accordingly, the decision was taken to build up some initial reserves which were to be drawn down over the coming years, spending on increased staff support and other expert and professional input into IOPS projects