

SUPERVISORY STRUCTURE FOR PRIVATE PENSION IN THE PHILIPPINES

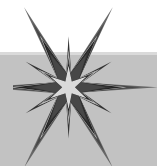
By Dir. Emilio B. Aquino

**OECD/INPRS Conference on
Private Pensions in Asia
May 28-30, Hyderabad, India**

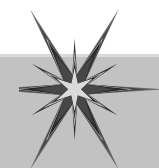


Outline of the Paper

- **Introduction**
- **Functions and Responsibilities**
- **Independence**
- **Organizational Structure and Performance**
- **Conclusion**



INTRODUCTION



Four-Tiered System

Voluntary tier
(Pre-Need Pension Plans)

Mandatory Retirement Pay
GSIS and Pag-ibig Fund

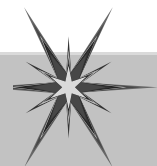
Mandatory defined benefit scheme
(GSIS, SSS)

Social assistance scheme
(DOH, DSWD, PHIC)



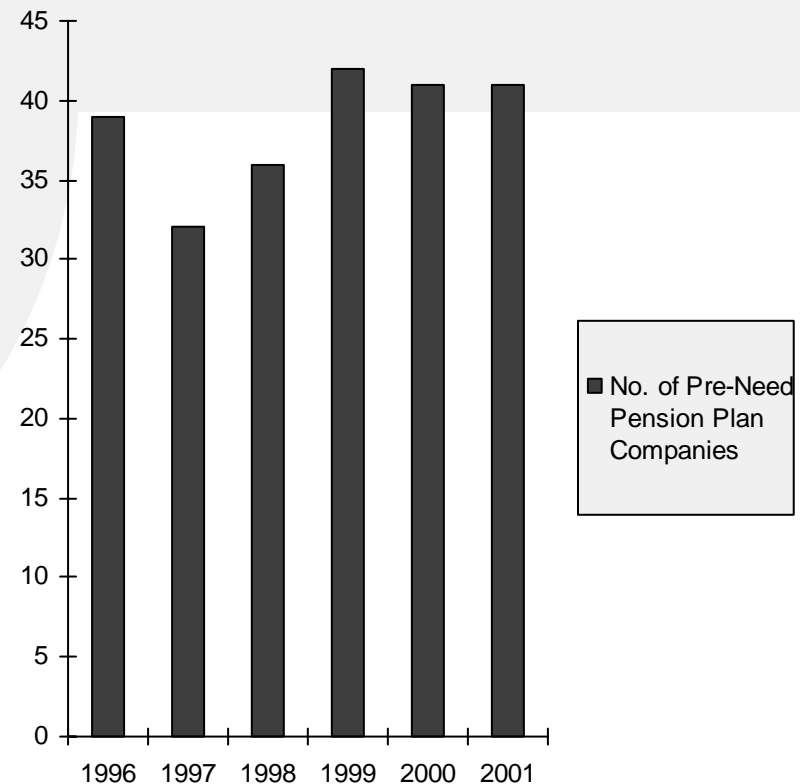
Private Pension Schemes

- **Mandatory Retirement Law (RA 7641)**
- **Personal Pensions Plans:**
 - **Pre-Need Pension Plans (RA 8799/
PN Rules)**
 - **Endowment Insurance (PD 612)**

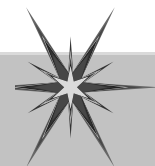
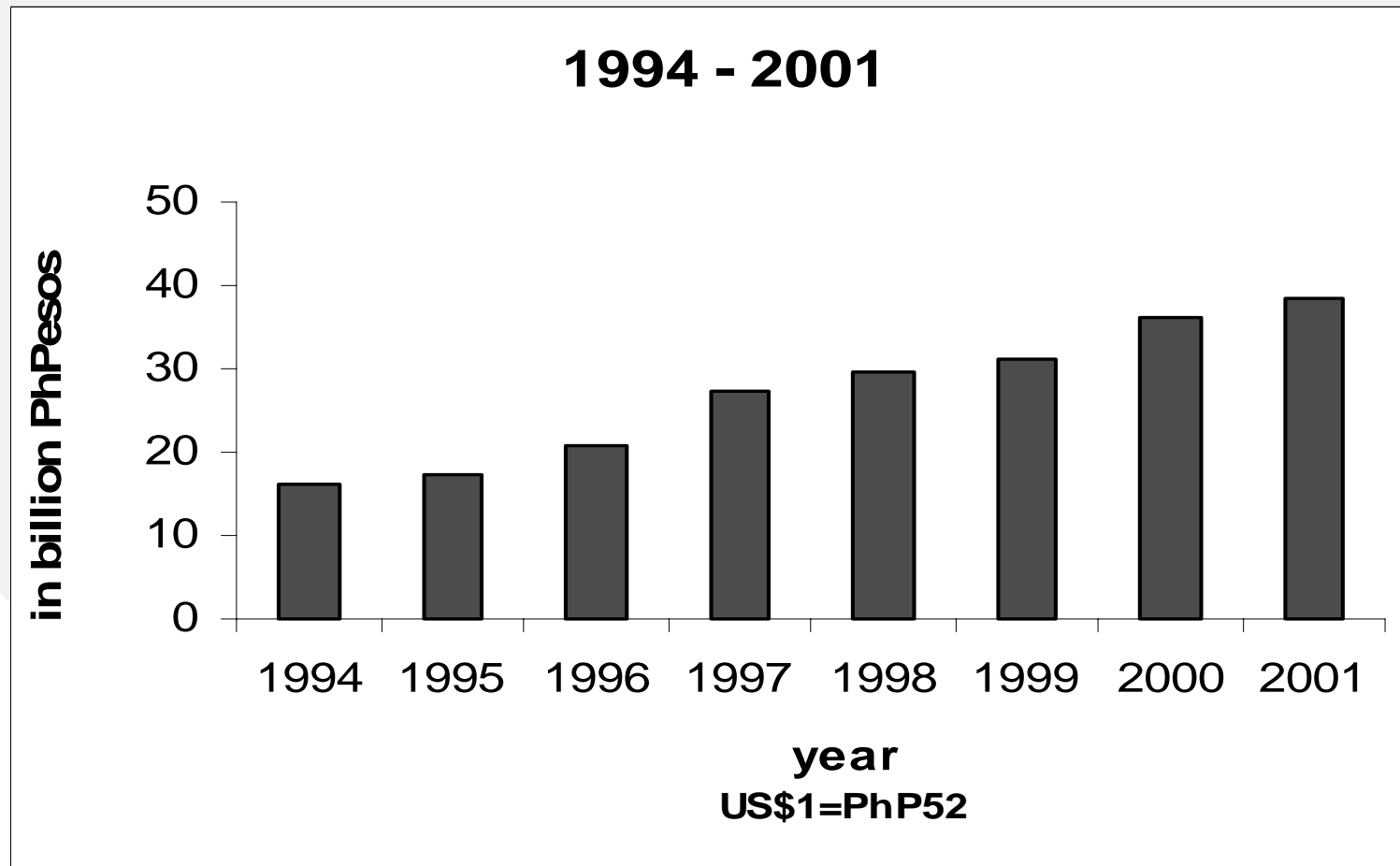


Pension Companies Number, Size and Impact

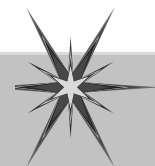
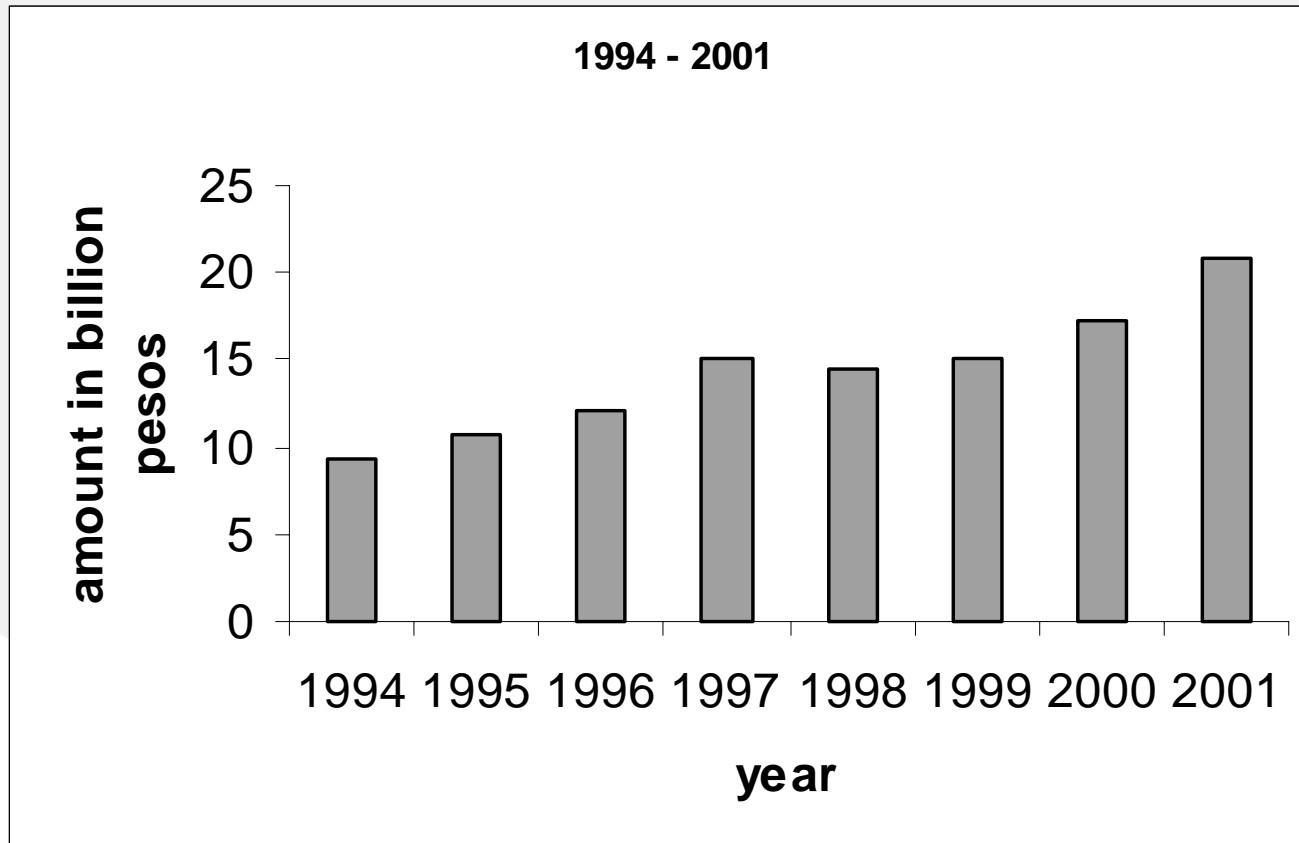
Year	No. of Pre-Need Pension Plan Companies
1996	39
1997	32
1998	36
1999	42
2000	41
2001	41



Pre-Need Sales Industry Performance

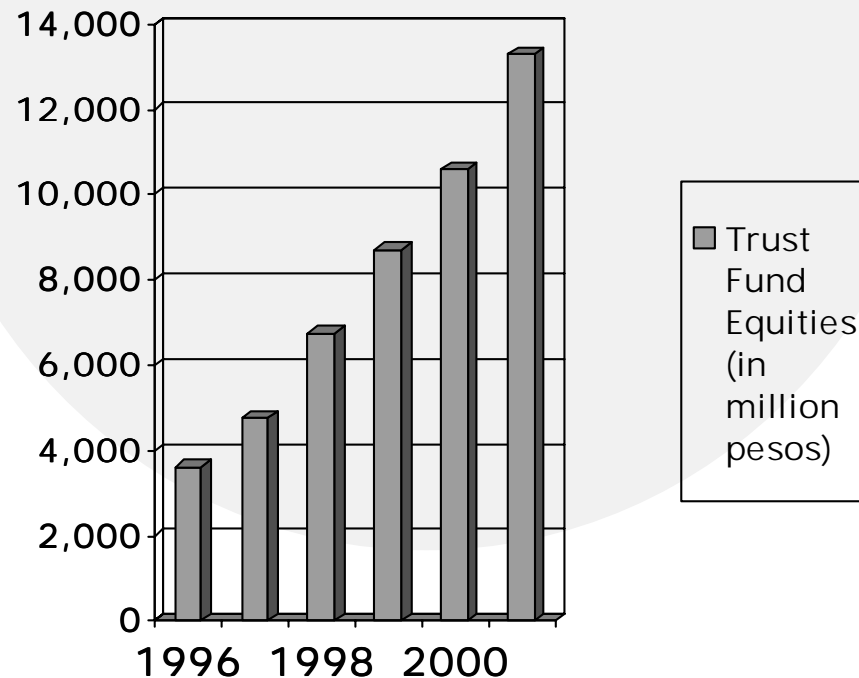


Pension Plan Sales Industry Performance



Trust Fund Equities

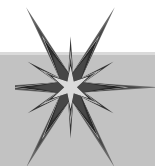
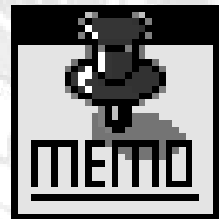
Number, Size and Impact



Total Trust Fund Equities from 1996 to 2001	
Year	Amount (in million Pesos)
1996	3,613.5
1997	4,763.7
1998	6,753.0
1999	8,715.3
2000	10,600.0
2001	13,297.0

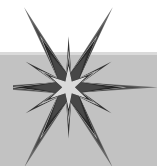


FUNCTIONS AND RESPONSIBILITIES



Supervisory Bodies

- **Securities and Exchange Commission**
 - **Pre-Need Pension Plans**
- **Insurance Commission**
 - **Endowment/Annuity Plans**



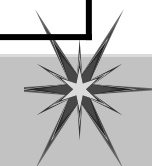
Functions and Responsibilities

Licensing/Registration	SEC
Qualifications for Tax Benefits	Pre-Need Plans enjoy no tax benefits. Under proposed PERA, the Bureau of Internal Revenue (BIR) will handle tax qualifications
Compliance to Governance Rules	SEC
Contributions and Regularity of Payments	SEC



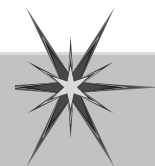
Functions and Responsibilities

Membership	It is a voluntary pension scheme mostly subscribed by Overseas workers and the self-employed.
Benefits Eligibility conditions	SEC approves the plan contract. Any issues arising therefrom are settled initially before a SEC mediation proceeding
Investments, Asset Allocation, Performance, Min. Capital and Reserves	Trust Entities follow a set of investment regulations (Monitored jointly by SEC and the Philippine Central Bank (BSP))
Custodian Procedures	Trust Funds are lodged with Trust Entities



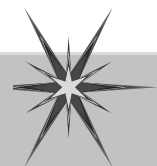
Functions and Responsibilities

Financial, Actuarial and Accounting Methods	SEC
Administrative Cost, Fees and Marketing	Basic Commission of 10% is allowed. Compliance is monitored by SEC
Disclosure Procedures	SEC Rules provide for disclosure requirements
Merger and Liquidation Process	SEC



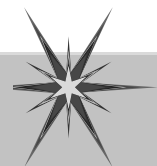
Coordination Mechanisms

- **MOAs between SEC and the Bangko Sentral Ng Pilipinas (BSP) on joint investigation and enforcement efforts.**
- **SEC, BSP and IC as the members of the Anti-Money Laundering Council.**
- **Current move to transfer supervision over the pre-need sector from SEC to the Insurance Commission.**

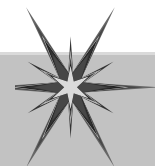


Pros and Cons for a Specialized Agency

- **Advantages:**
 - **Regulatory Focus**
 - **Developing Competencies**
 - **Coping up with fast changes within sphere of control**
- **Disadvantages:**
 - **Duplication of functions/Regulatory Arbitrage**
 - **Limited Jurisdiction.**
- **The Chairperson of the Philippine SEC has broached the idea of a single regulator to oversee the banking, insurance, pension and securities markets. The other agency heads are not receptive to the immediate consideration of the concept.**

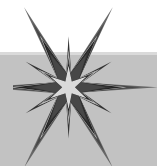


Political, Institutional and Operational Independence



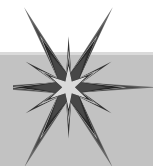
SEC TOP MANAGEMENT

- **The SEC is a collegial body, composed of a Chairperson and four (4) Commissioners, appointed by the President for a term of seven (7) years each. (Sec. 4, Securities Regulation Code).**
- **Commissioners are natural-born citizens, 40 years of age for Chairperson and 35 years of age for Commissioners, of good moral character, of unquestionable integrity, of known probity and patriotism, and with recognized competence in social and economic disciplines.**
- **Majority of Commissioners, including the Chairperson, are members of the Philippine Bar.**
- **Chairperson, as CEO, executes and administers the policies, decisions, orders and resolutions approved by SEC and has general executive direction and supervision of the work and operation of SEC.**



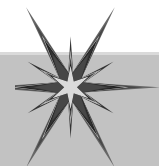
Administrative Supervision and Finance

- **The Department of Finance has administrative supervision over the SEC but not operational control.**
- **The Department of Budget and Management reviews the proposed budget and seeks the funding therefor from the Philippine Congress. SEC enjoys partial fiscal autonomy since it retains PhP100 million from its collections for operational needs. (Sec. 75, SRC)**
- **The pre-need industry is not involved with the determination of the cost of the supervision. However, the Federation of Pre-Need Companies has been into active advocacy including the call for Congress to grant the Insurance Commission the authority to retain a portion of its income similar to what the SEC enjoys.**



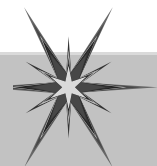
Compensation of SEC Staff

- All SEC positions are governed by a compensation and position classification systems and qualification standards approved by the Commission with a compensation plan comparable with that of the *Bangko Sentral ng Pilipinas*, subject to periodic review by the Commission no more than once every two (2) years without prejudice to yearly merit reviews or increases based on productivity and efficiency.
- SEC is exempt from laws, rules, and regulations on compensation, position classification and qualification standards.
- For now, the SEC salary scale more or less approximates that of the private sector.



Appointment and Removal

- **Directors like Commissioners are Presidential appointees. However, Directors and Assistant Directors must be holders of a Career Executive Service Eligibility and a Masters Degree .**
- **These career officials can only be removed for cause.**
- **A minimum period of one year from departure from SEC must be observed, before resigned employees may be hired by supervised entities. Although, this happens only occasionally.**

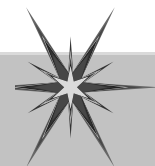
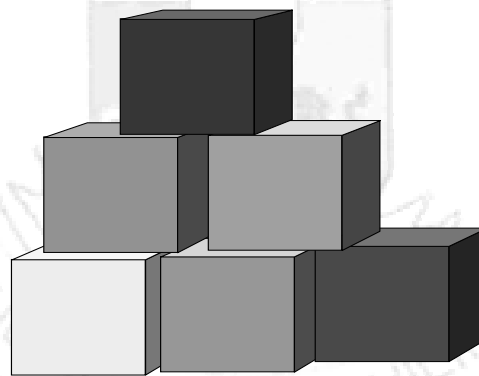


Audit and Review

- **The Commission of Audit audits the activities of SEC.**
- **While SEC exercises all supervisory powers, any person aggrieved by an order of the Commission may appeal the order to the Court of Appeals by petition for review in accordance with the pertinent provisions of the Rules of Court. (Sec. 70, SRC)**
- **SEC comes out regularly with annual reports which are duly published. Weekly press conferences are conducted. A website is maintained to post any significant information for the benefit of agency constituents.**
- **SEC appears to be armed with adequate powers to fulfill its mandate.**



Organizational Structure and Performance



Vision and Mission Statements

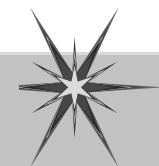
VISION

It is the vision of the Securities and Exchange Commission, as an independent, credible regulator adhering to international standards, to be a prime mover of Philippine economic development by ensuring a *fair, efficient, and transparent capital market.*

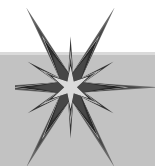
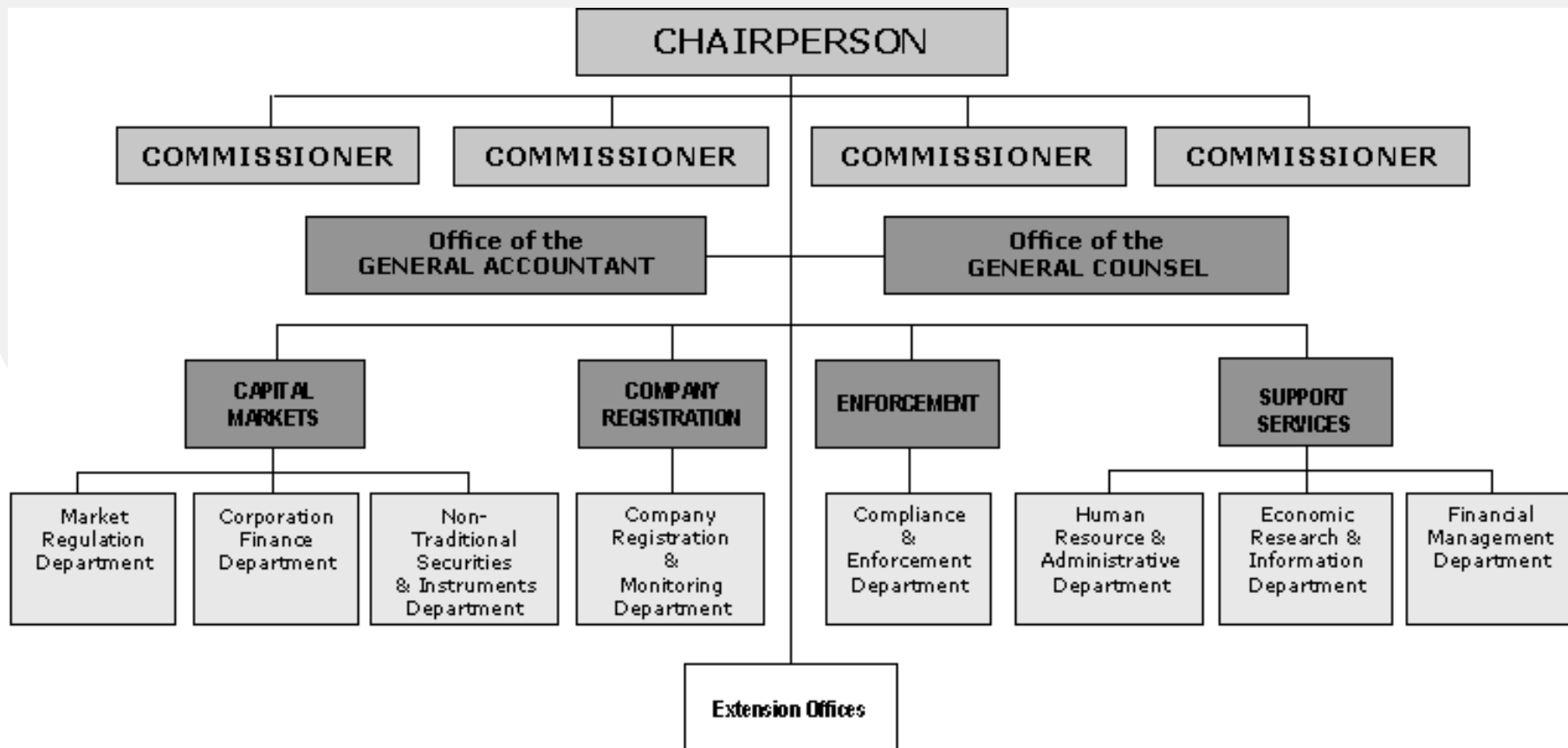
MISSION

The Securities and Exchange Commission shall actively promote the development of a globally competitive Philippine capital market, effectively regulate and monitor its operations, and widely disseminate reliable information for the protection of the investing public.

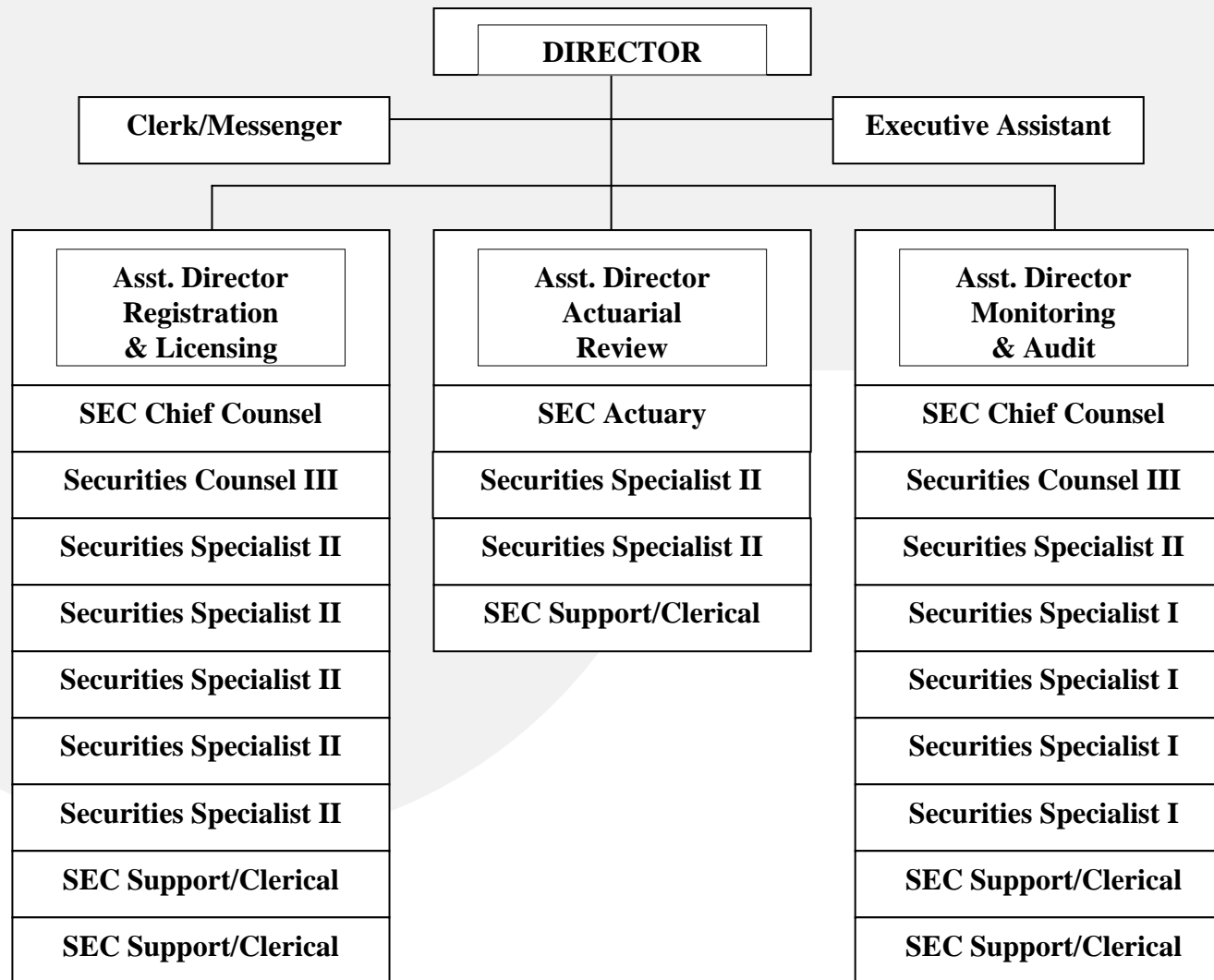
To carry out the mission, the SEC shall harness its empowered human resources, functioning under a culture of efficiency and integrity, and delivering services through systems enhanced by appropriate technology.



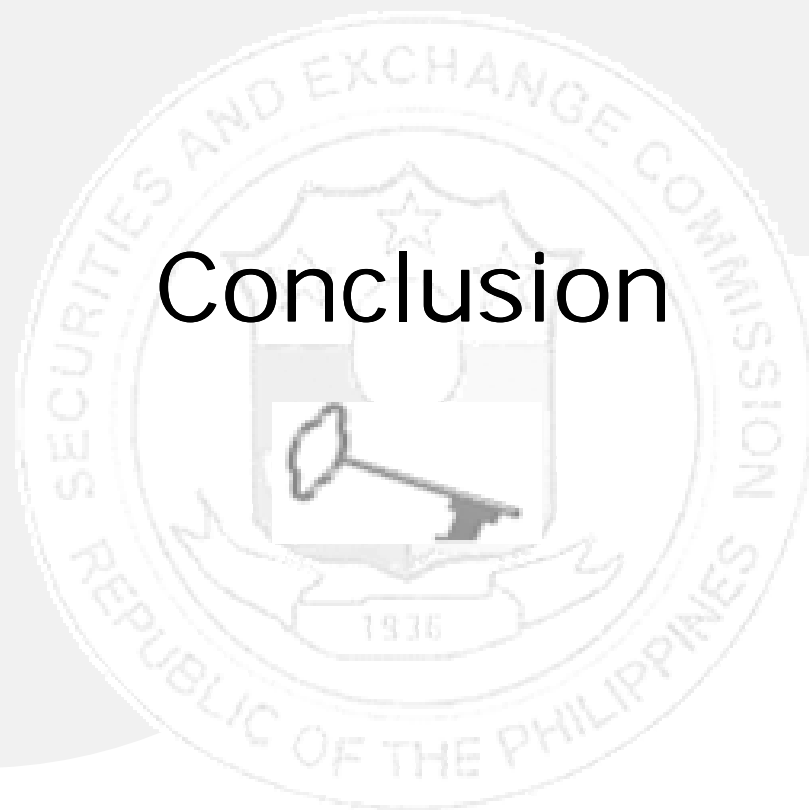
Organizational Chart



NTD Organization Chart

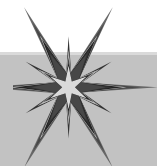


Conclusion



Some Insights

- **Individual circumstances of each jurisdiction must be taken into account in the consideration of a model.**
- **Regardless of structural models, enabling statutes must provide greater flexibility to regulators to cope up with fast changes in the market.**



Thank You.

