

# International Network of Pension Regulators and Supervisors

David Lindeman, Senior Pension Analyst

Russell Galer, Administrator

Directorate of Fiscal, Financial and Enterprise Affairs

Organization for Economic Cooperation and Development

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# Antecedents...

- OECD activities in aging populations, retirement
  - 1998 Maintaining Prosperity in an Aging Society
  - Recent Nine Countries Study
  - Working Group on Private Pensions [government experts mostly, some industry] established in 1999
  - Identified as priority area by Ministerial Council
  - Outreach activities in Central and Eastern Europe and elsewhere
- Led to initiative to create larger-than-OECD Network of Pension Regulators and Supervisors
  - Discussion conference in Prague in 2000; Organization conference in Sofia in 2001
  - Intention to become International Association in late 2002, early 2003

# Objectives of Network/Association

- Promotion of well regulated private pension systems as complements to public schemes;
- Policy dialogue and information exchange with aim of:
  - Producing principles;
  - Identifying and promoting good practices;
- Assistance to member authorities in developing regulatory and supervisory frameworks

# Structure of Network -- 1

- International Network – staffed by OECD secretariat currently (<http://www.inprs.org/>)
  - Activities infra...
- Affiliated Research Network – designed to become liaison with academic community; help with conferences.
  - Associated (new) Journal of Pension Economics and Finance ([www.pensions-journal.com](http://www.pensions-journal.com))
- Database collaboration with International Social Security Association in Geneva

# Structure of Network -- 2

- Associated and Affiliated Regional Groups
  - Central and Eastern Europe Network (Budapest venue with EWMI under USAID financial stability program); extensive technical assistance program
  - Relationship with Latin American association
  - Formation of Asian Network in Korea in 2002; initial meeting in Beijing in Fall, 2001
  - Hopes for similar group in South and East Africa

# Key Activities

- Development of 15 Principles for Occupational Pensions (both OECD Working Party and INPRS)
- Financial Sector Assessment Program (FSAP) – more later (also see IMF website)
  - Subsidiary standards in investment, pension entity governance and supervision
- Work in conjunction with OECD Working Party
  - Taxonomy (and Glossary) – common vocabulary needed
  - Descriptive database (in conjunction with ISSA)
  - Statistics (pensions in national accounts, other sources?)
  - Funding rules, investment objectives, trade-offs in rates of return and liability risk bearing, what does ‘prudent person’ really mean anyway?
  - Understanding “personal pensions” (vs. occupational)
  - Annuity and payout realities and options

# Financial Sector Assessment Program (as in to be “fsap-ed”)

- Financial Sector Assessment Program
  - Managed by IMF with World Bank assistance; participation is voluntary. Developed, transition, developing. World-wide.
  - Set up in wake of Asian crisis to diagnose countries financial sectors, their regulation and supervision – generally with an idea to transparency, risk management, vulnerabilities
- 12 Key Core Principles that are used in self-diagnosis and assessments, including --
  - Basel principles for Banks, IAIS principles for insurance entities, IOSCO for collective investment schemes (CISs), markets and market participants.
  - International Accounting Standards
- What to do about pensions?

# INPRS Role in FSAP

- Bank and IMF decided to adopt INPRS 15 Principles as an ad interim addendum in the FSAP review.
- Invited that relevant principles be selected and objectives and evaluative criteria be developed along lines of IAIS, IOSCO, etc.
  - Work in progress; dovetails with ongoing work to develop subsidiary principles in:
    - Investment (approved by OECD Working Party but not INPRS)
    - Pension entity governance
    - Supervision
  - Issues of coordination and overlap have emerged

# Problem: Pensions are Complicated

- Seeming similarities but underneath great differences
- Example: no one meaning to “three pillars”
  - EU (and OECD) view vs. World Bank view
    - Looking at Swiss system from two different perspectives?
  - New recommendation is to move to quadrant taxonomy
    - Occupational Vs. Personal
    - Voluntary Vs. Mandatory
  - But also Defined Benefit Vs. Defined Contribution; what are the key differences in form and risk bearing?
- In some countries, pensions are basically labor contracts that use financial institutions; in other countries, pensions verge on being distinct financial institutions
  - But are they really insurance or CIS entities by another name?
  - “Legal forms” are more similar in operation than names often suggest. (E.g., trust = contract = civil code foundation)