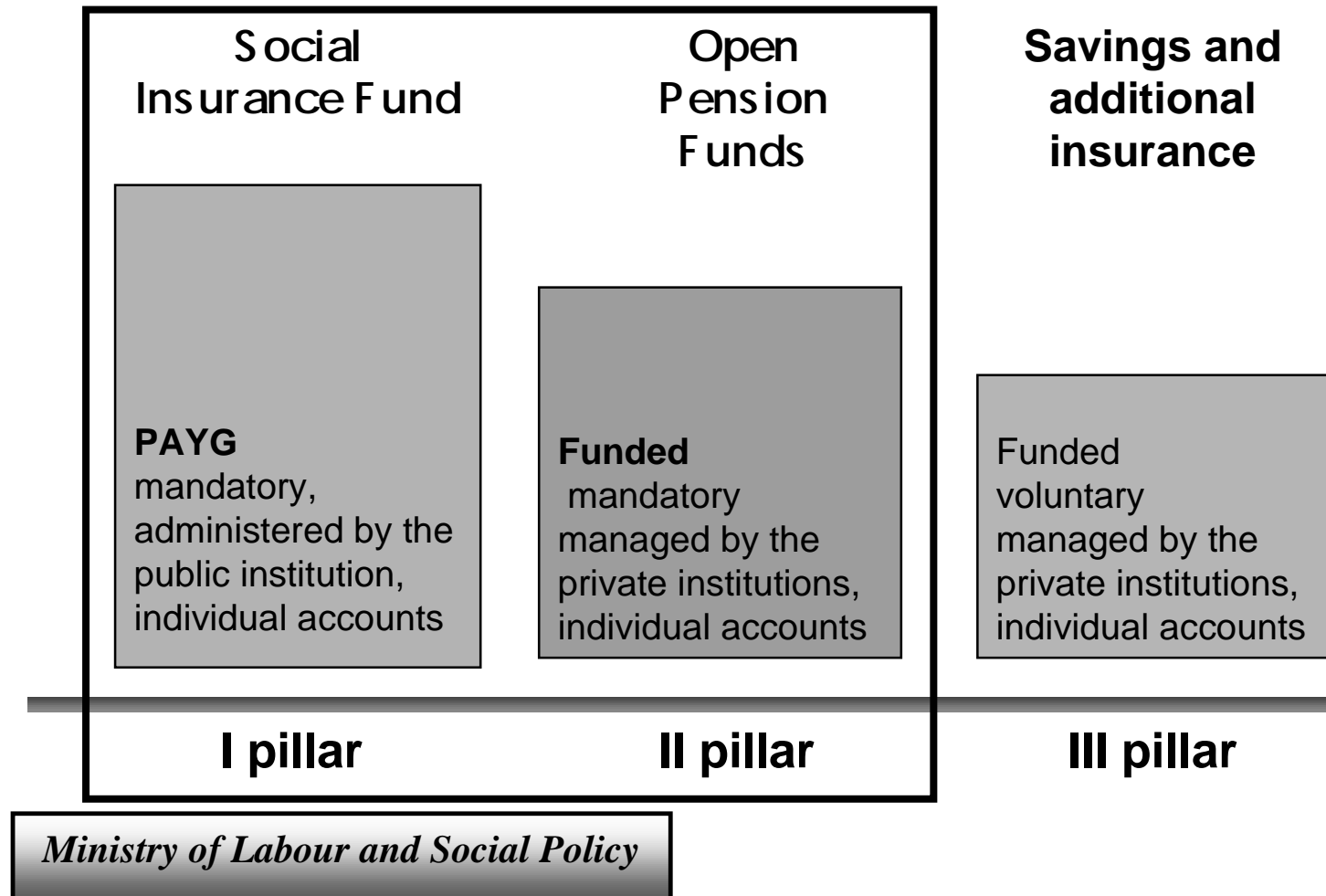


**Options for Legal Form, Governance
and Supervision over Pension Funds**
Polish Case

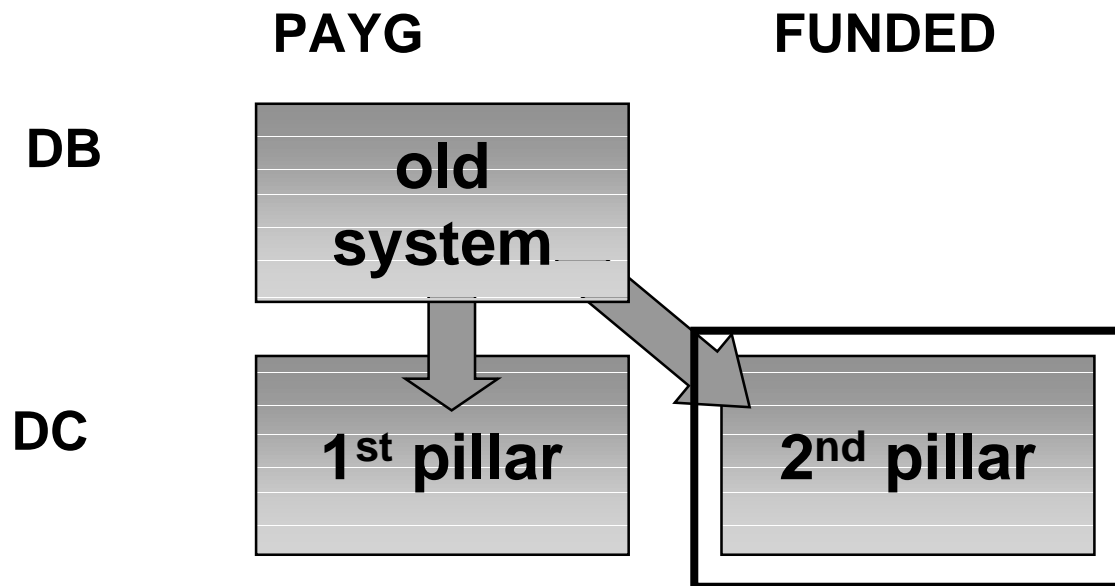
Krzysztof Pater
Under-secretary of State
Ministry of Labour and Social Policy

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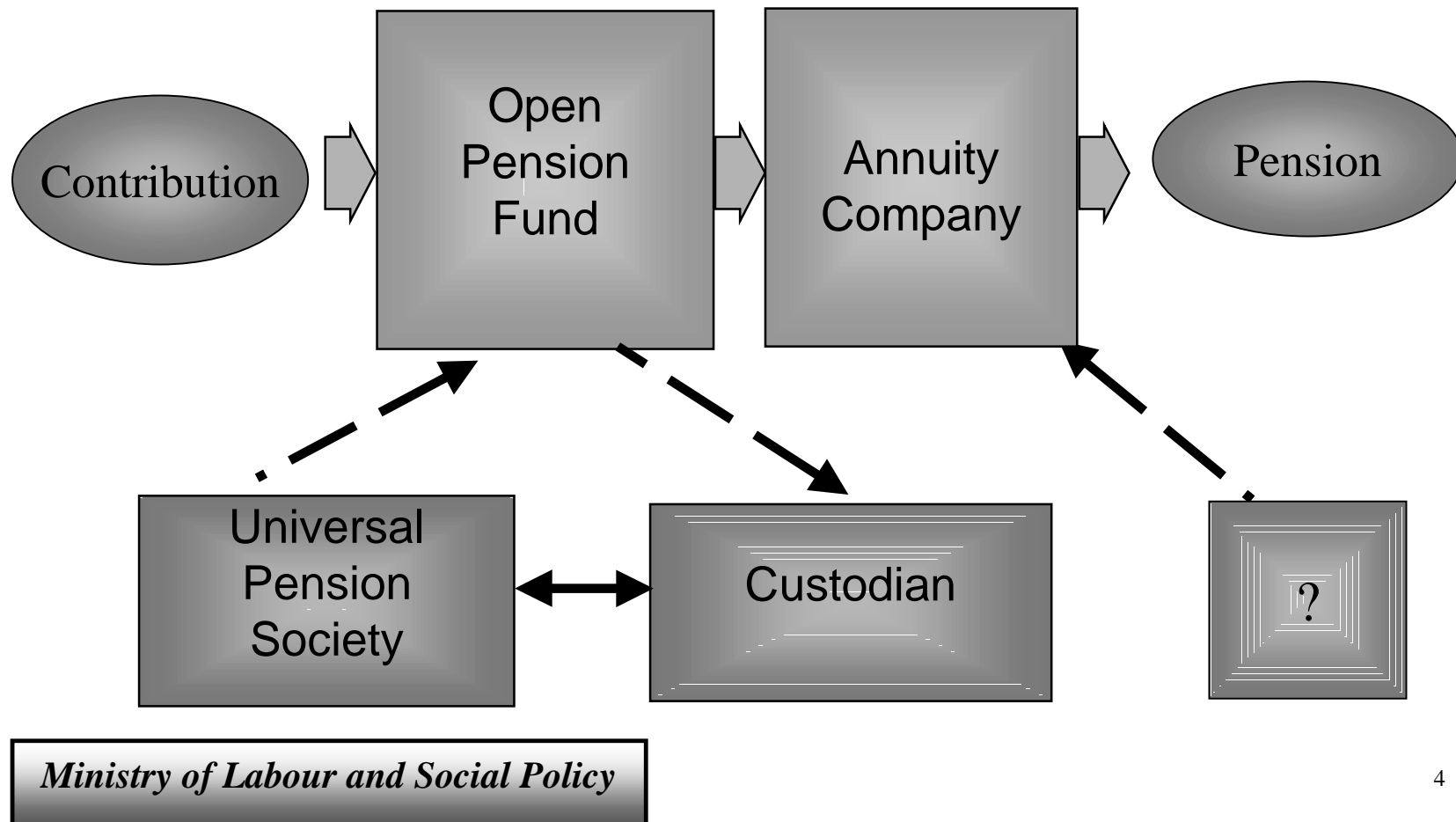
Three Pillars in the New Polish Pension System



Financing and Functioning of the New Pension System



Functioning of the Second Pillar



Functioning of the Second Pillar

- Mandatory participation
- Privately managed pension funds
- Free choice of the fund
- Benefits paid at state retirement age
- Special provisions in the case of the death or divorce of the participant

Open Pension Funds Operations End of 2001

- 17 funds operating on the market (end of 2001)
- 10.5 million participants, more than 8 million active
- 63% of people 31-50 joined pension funds
- Average weighted rate of return: 21.46% (January 2000 - December 2001)
 - ⇒ highest: 27.23%
 - ⇒ lowest: 11.85%

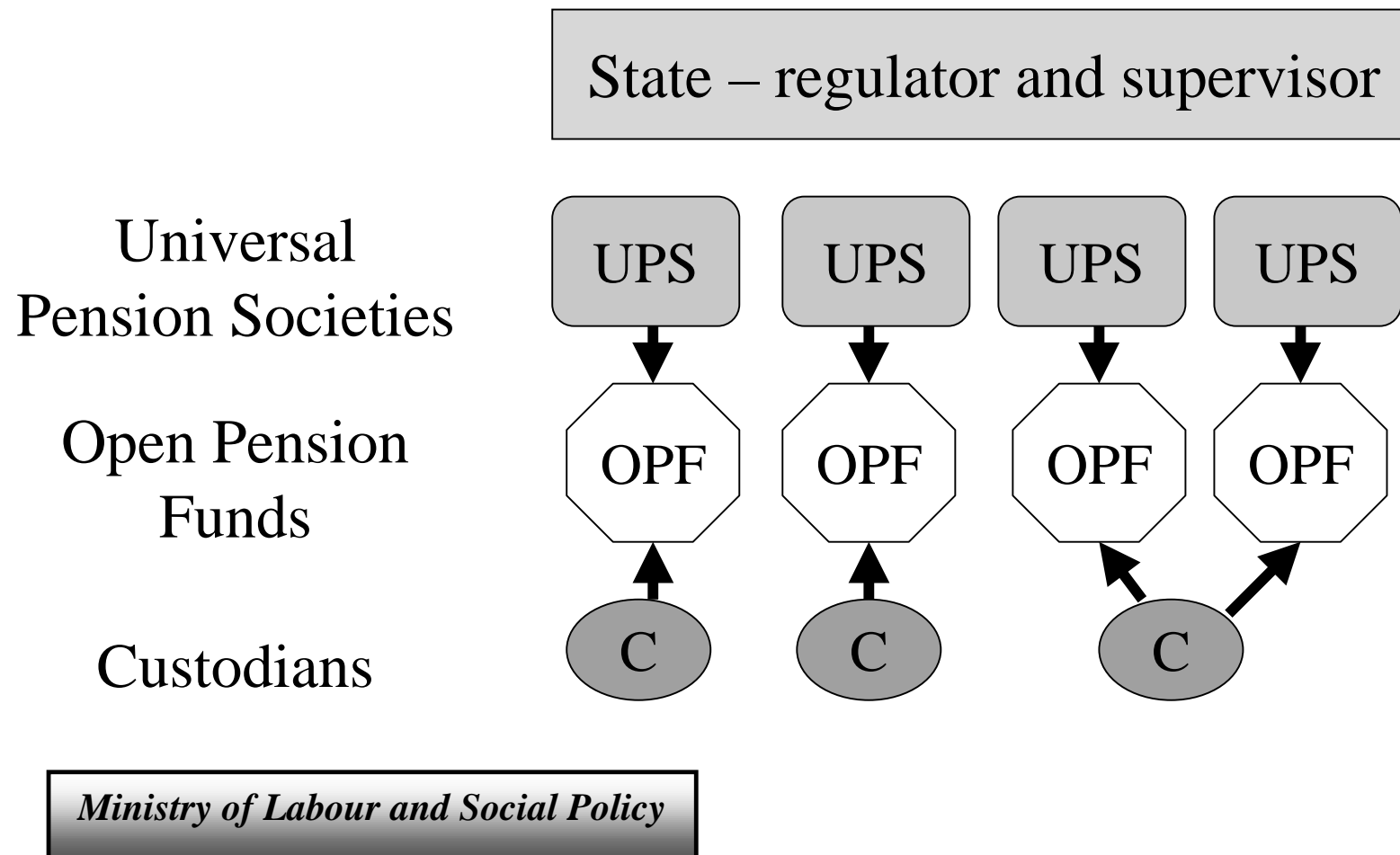
Unforeseen Structure of the Polish Pension Funds Market

- 3 largest funds, managed by insurance sector, own more than 65% of total funds' assets
- 8 from among 10 largest funds are managed by insurance sector
- funds managed by insurance sector own more than 88% of total funds' assets

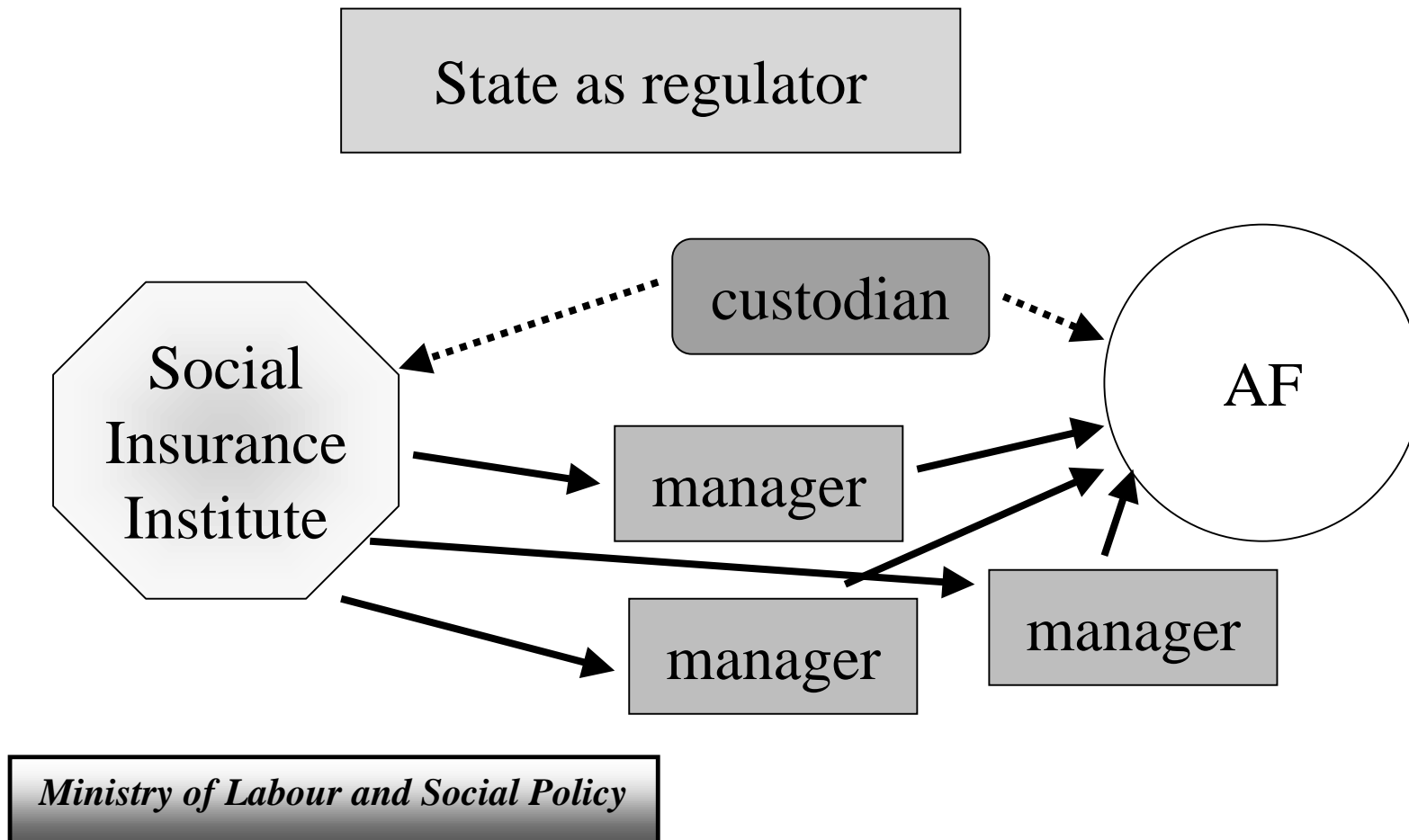
External Management of Mandatory Pension Funds – Basic Principles

- Separation of assets between manager and fund
- Independent custodian
- State requirements towards manager and investment policy

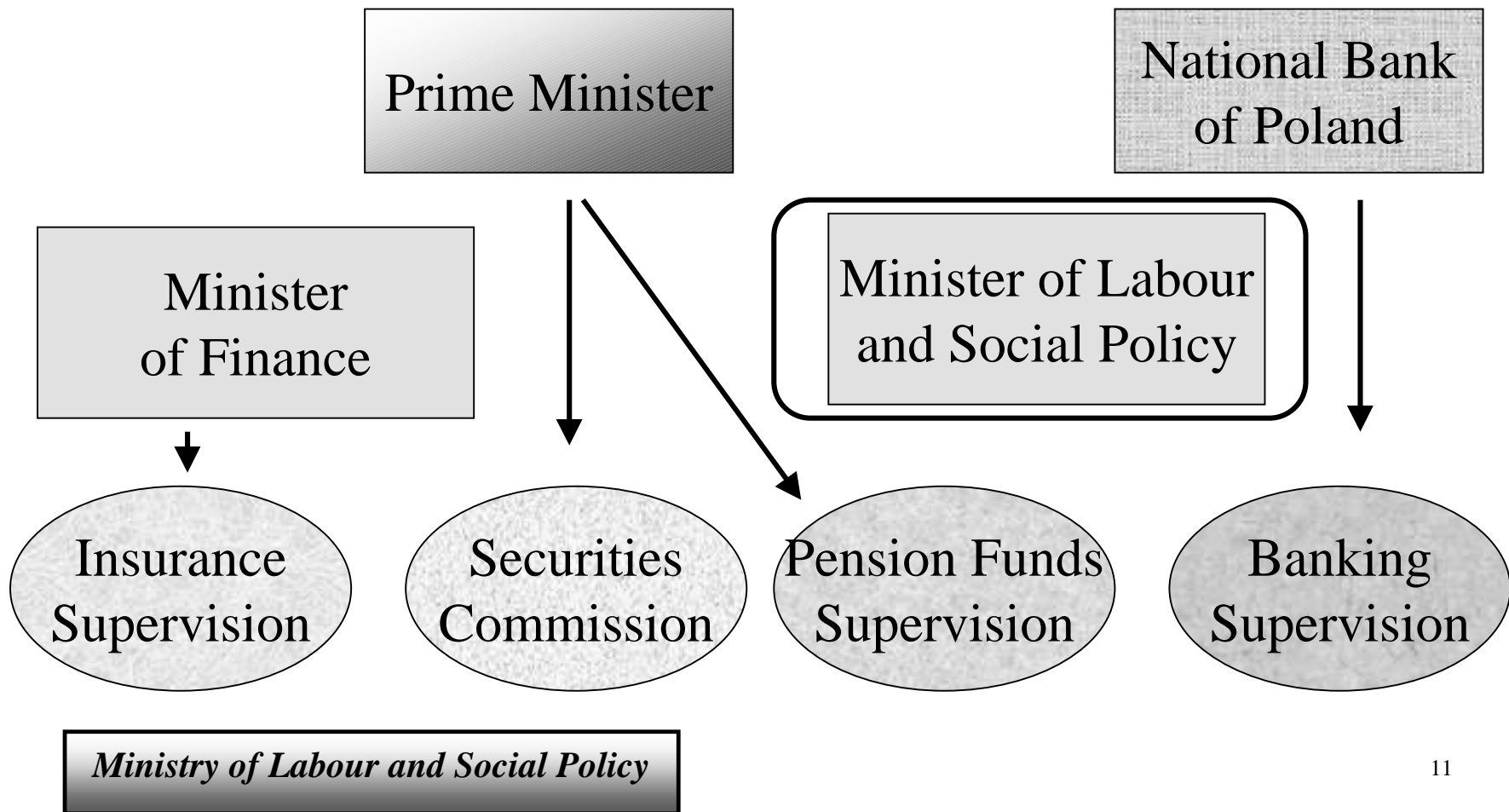
Management of Pension Funds Model No 1 (2nd Pillar in Poland)



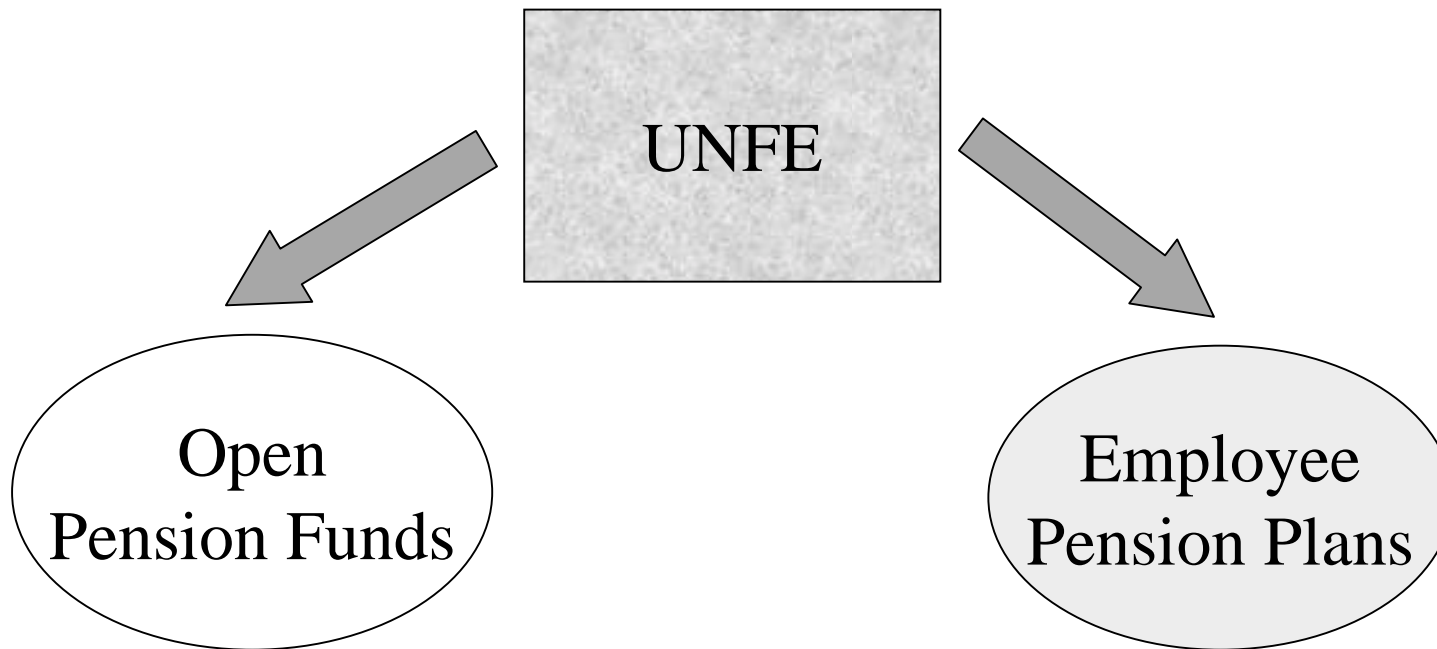
Management of Pension Funds Model No 2 (Annuities Fund in Poland – in Future)



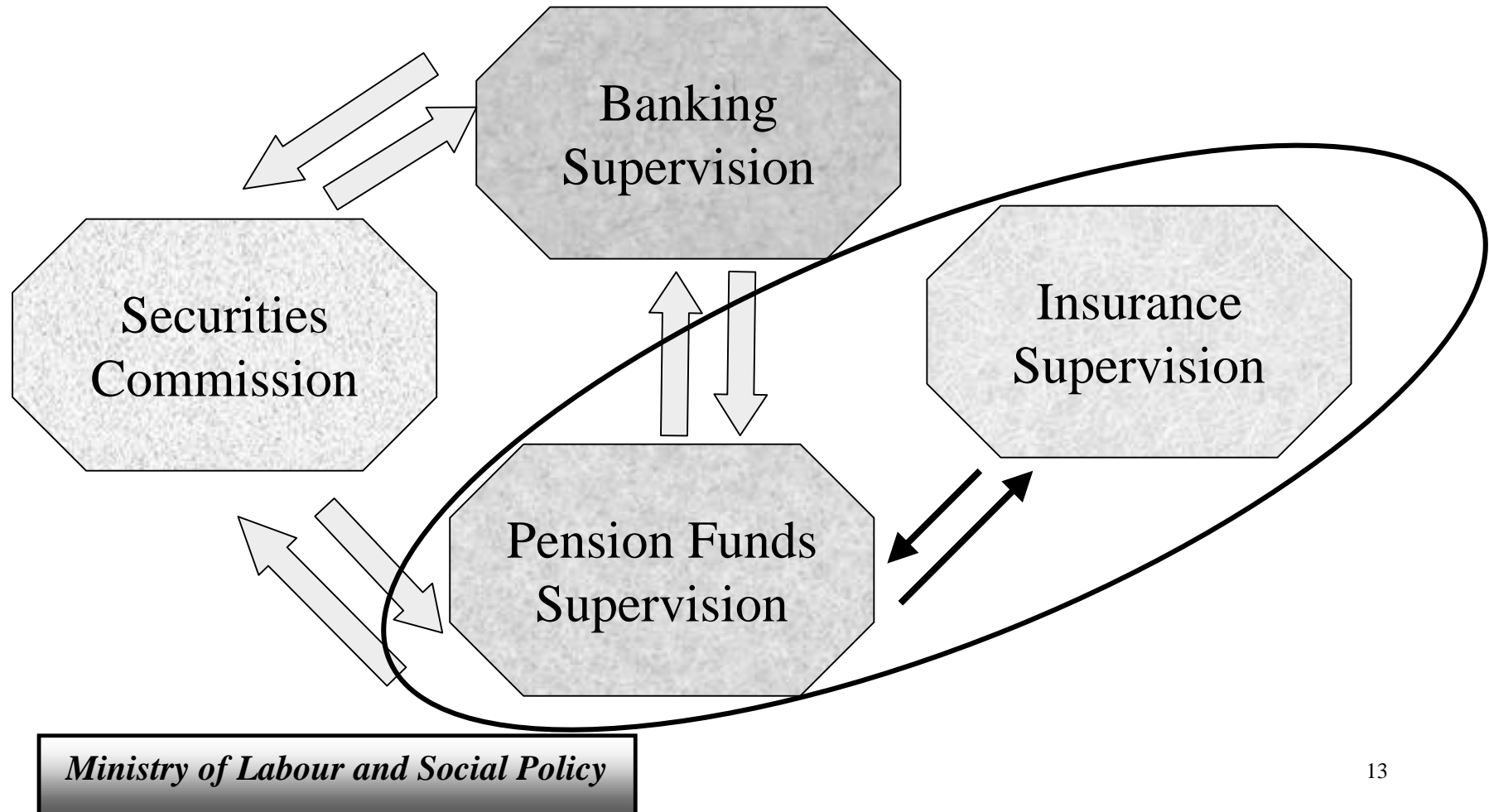
State Supervision over Financial Institutions



Supervision of Pension Funds - Scope of Activity



Exchange of Information Between Supervisors of Financial Institutions



Insurance and Pension Funds Supervision Commission

Chairman
nominated by the Prime Minister

V-ce Chairman
nominated by the
Minister of Finance

V-ce Chairman
nominated by the
Minister of Labour
and Social Policy

Chairman of
Securities Commission

President of Office
for Consumer and
Competition Protection

Ministry of Labour and Social Policy

Basic Fields of Supervision over Pension Funds

- Investment policy
- Relations between fund's manager and fund's members

Investment Policy

- the Scope of Supervision

- Limits for assets categories
- Single transactions
- Valuation of assets
- The use of voting rights

Relations Between Managers and Members – the Scope of Supervision

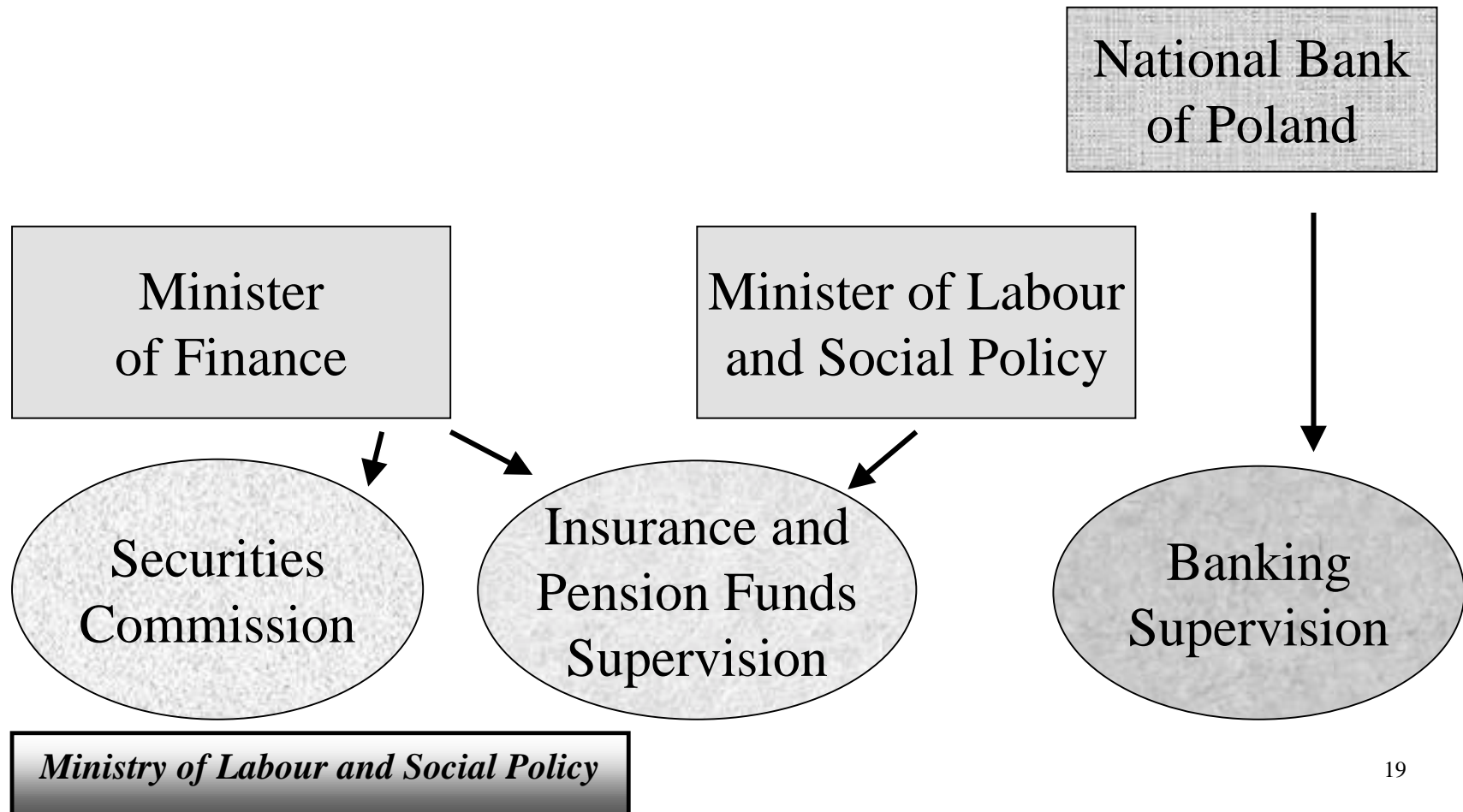
Applicable if members have the right to choose the fund

- Honest acquisition
- Proper information for members from the fund
- Overall understanding of the system

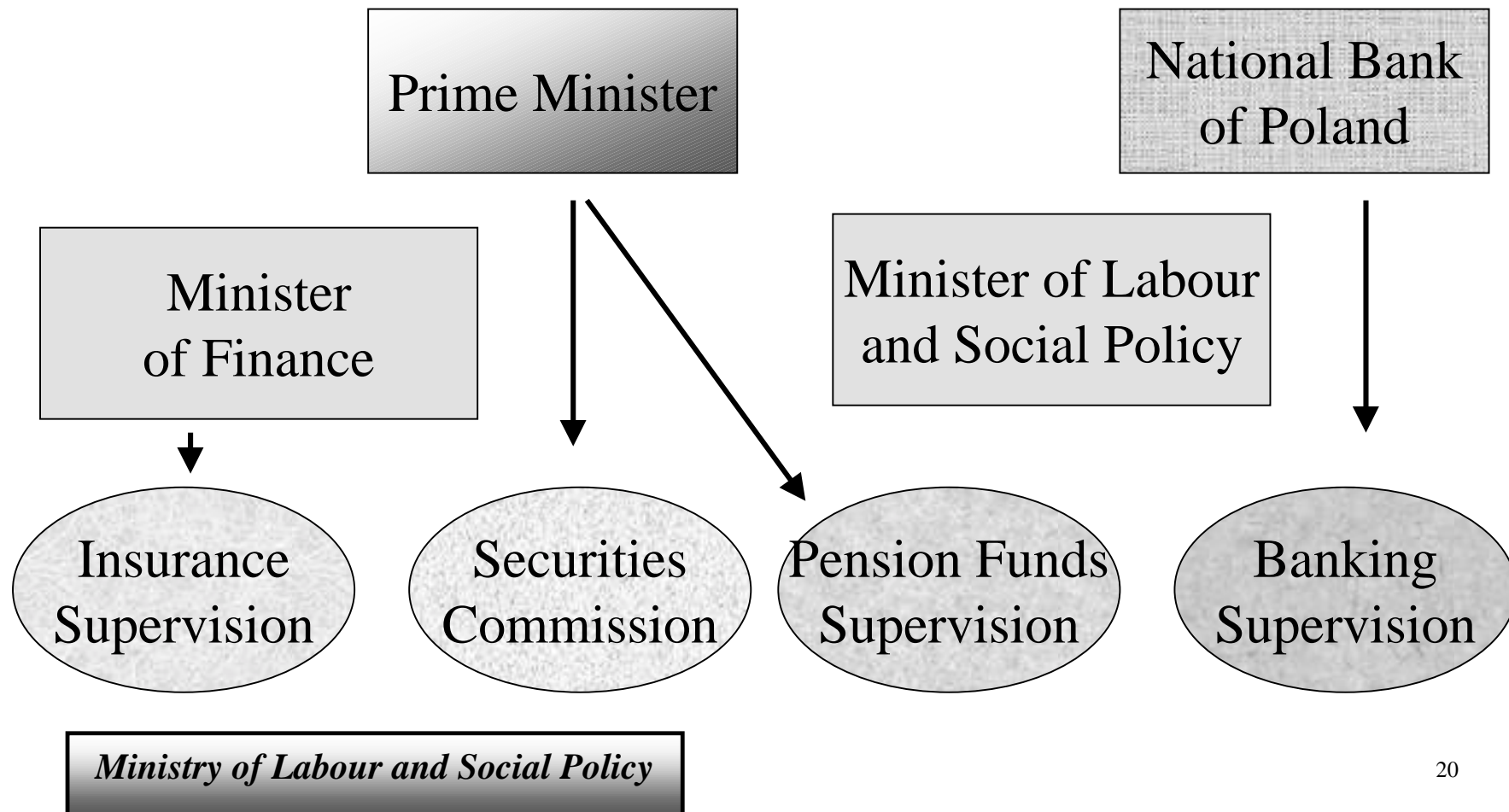
Reasons for Consolidation of Supervision

- Savings in public spending for administration
- Possibility of keeping supervision over capital groups in one body
- Better quality of supervision
- Transfer of experience between people responsible for supervision over financial market

State Supervision over Financial Institutions



State Supervision over Financial Institutions



Thank you for your attention

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Ministry of Labour and Social Policy