



MINISTÉRIO DA PREVIDÊNCIA E ASSISTÊNCIA SOCIAL
SECRETARIA DE PREVIDÊNCIA COMPLEMENTAR

2nd OECD CONFERENCE ON PRIVATE PENSIONS IN BRAZIL

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Secretary Of Complementary Pension

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2nd OECD CONFERENCE ON PRIVATE PENSIONS IN BRAZIL

SESSION 3

Structure and Practice of Pension Supervision



Schedule

- **Structure**
- **Legislation**
- **External Audit**
- **Action**
- **Principles**
- **Conclusion**



Structure



Structure

- **Base 1: Official Pension System: Mandatory Social Security - INSS.**
- **Base 2: Complementary Pension System: Closed Pension Fund - SPC.**
- **Base 3: Complementary Pension System: Opened Pension Fund - SUSEP.**



Structure

Improve and promote the complementary pension system growth, assuring:

- **Transparency;**
- **Affordability;**
- **Accountability;**
- **Efficiency.**



Legislation



Legislation

Modernization of legislation related to closed complementary pension system:

- **Law 108/2001 - Dispose about government and complementary pension fund relation.**
- **Law 109/2001 - Dispose about complementary pension system.**



Legislation

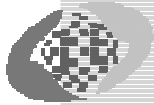
Modernization of legislation related to closed complementary pension system:

- **Law Project 09/99 - Dispose about the rules of complementary pension to public employees.**
- **Resolução CMN Nº 2.829/01 - Dispose about the rules of asset investment of the complementary pension funds.**



Inicial Concerns

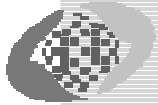
Portability and vesting are important tools to preserve the retirement rights of members of benefit plans of complementary pension fund.



Portability

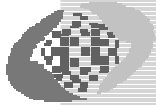
Possibility to change funds of benefits plan to the other that have the same characteristic. This is possible when the member stops the link with the sponsor.

The portability must be done among complementary pension funds, with an agreement.



Vesting

The possibility to get correspondent benefits if the member stops the link with the sponsor.



Resolução CMN N° 2.829/2001

Innovation:

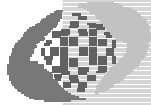
- **Risk control;**
- **Disclosure of investment policy;**
- **Diversification and risk reduction;**
- **Conditions for assets and liabilities matching;**
- **Long run investments.**



Resolução CMN N° 2.829/2001

Implementation of corporate governance rules for the closed complementary pension system:

- **Adoption of assets investment policy;**
- **Risk control in assets application;**
- **Designation of a independent auditor responsible for examining technicals and operational procedures and management controlling.**



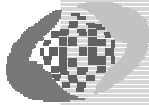
Resolução CMN N° 2.829/2001

Good Corporate Governance Principles for pension funds:

- **Responsability;**
- **Accountability;**
- **Transparency;**
- **Efficiency;**
- **Affordability.**



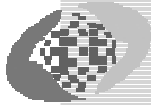
External Audit



External Audit

The pension fund has to achieve an external audit, in every five years in their benefit plan. It must be done in actuarial and benefit matter.

The pension fund has to achieve an audit to each benefit plan that manage.



External Audit

Actuarial Aspects (Resolution MPAS/CGPC N.º 03, 19.12.01);

The actuarial audit will take into account analysis of hypotheses, parameters, regimes, financing methods, covering level and the participants' cadaster used in the elaborations of the actuarial evaluations of the benefit plans.



External Audit

Benefit Audit:

- **Members analysis;**
- **Management analysis of benefit plans.**



Action

Financial Action



Acturial and Lawful Actions

**ATUAÇÃO
ATUARIAL**

**ATUAÇÃO
JURÍDICA**

**CONSELHO DE GESTÃO
DE PREVIDÊNCIA COMPLEMENTAR
CGPC**



Principles



Principles

Secretariat of Complementary Pension as a supervisory authority.

Must be involved with pension funds:

- **Authorizing;**
- **Monitoring every process of asset management.**



Principles

The supervisory authority must act:

- **Responsability;**
- **Accountability;**
- **Sanctions for malpractice;**
- **Transparency.**



Principles

Transparency:

- **The annual report of the pension fund - making easy the information to sponsors and members.**
- **SIP - Standard Investment Practice - communicate to the supervisory authority the objectives of each fund, its strategic asset allocation and its risk tolerance.**
- **ALM - Asset Liability Management - these should not be mandatory, but they could be good practice.**



Conclusion



Conclusion

The Secretary of Complementary Pension:

- **Work with CVM, BACEN and other government authorities to promote closed retirement system and asset market enlargement and strengthness.**
- **Expand the relations between market and pension fund, looking to a good regulatory environment that can achieve all pension system necessity.**



Conclusion

The Secretary of Complementary Pension:

- **Responsability and transparency are the most important elements for the protection of members right.**
- **Expand participants actions in the pension funds practices control, as in the investments and fund's board.**