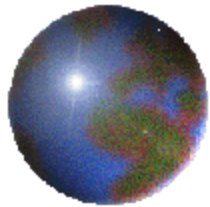


OECD/IOPS Global Forum on Private Pensions

Session 6



Policy Recommendations

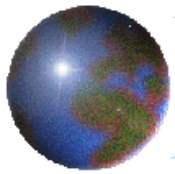
to

Policymakers and Regulators



Colin Pugh

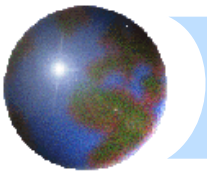




Helping readers know where they are!

I was confused from the first paragraph,

- ❖ “Arrangements to provide retirement income have shifted from PAYG to funded” → “public arrangements...”
- ❖ “Pension funds → “DC pension funds” in most places, because (i) that is the subject and (ii) statements often do not make sense for DB plans. 108 occurrences!
- ❖ Without clarification, “arrangements” and “pension funds” must imply “all arrangements” and “all pension funds”, so...
- ❖ “Developing a performance measurement framework that is specific to DC pension funds is a relatively new topic.”
- ❖ Pillars. Confirm to readers that this is WB counting system.

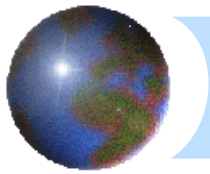


Three quick reactions

- ❖ Many thanks to authors for making such a clear delineation between *lifestyle* funds and *lifecycle* funds.
- ❖ “Pension funds in emerging economies should keep unhedged currency positions” (pp.11&13). Interesting.
- ❖ “The need to rebalance the equilibrium between the government and the market in traditional DC pensions systems is an important policy conclusion that can be extracted from this book” (page 5).

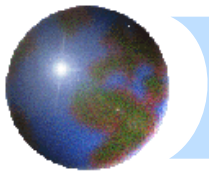
Questions to panel:

- Meaning of “traditional” in this context?
- Rebalance equilibrium in which direction?
- Ideas for rebalancing?



Minimum guarantees (Chapter 4)

- ❖ Imposition of minimum return guarantees, i.e. mandated.
 - ❖ I do not like them, and the authors seem to confirm my intuition that such requirements are counterproductive.
 - ❖ At least two families of minimum guarantee requirements:
 - a. Absolute rate (e.g. 4%) or rate linked to an index;
 - b. In comparison with the other fund managers.
- The first demands conservative investments linked to requirement; second encourages herding. Both bad.
- ❖ Who pays for guarantee? Private (occupational) plan = employer = better of DC and cash balance? Pension fund manager? Government, i.e. taxpayer?
 - ❖ In contrast, I am not against pension fund managers offering guaranteed funds as an option !!



Final slide

“Governments should assume responsibility for setting up benchmarks that may optimize the expected pensions of individuals (last page)”.

I wish good luck to the governments on this issue!

And I wish good luck to the authors.

Thank you. Muito obrigado.