

IOPS Technical Committee

**IOPS statement on pension supervisory
actions to mitigate the consequences of the
Covid-19 crisis**

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The impact of the Covid-19 pandemic on the global economy and the financial system has many significant implications for pension providers, trustees, sponsors, members and beneficiaries, and supervisors. Pension systems and their stakeholders have been affected by the economic and social consequences of the Covid-19 crisis in various ways, including by:

- decreased values of pension investments, accompanied by increased liquidity and counterparty risks;
- worsened funding positions of defined benefit (DB) pension schemes due to the reduced value of pension investments and increased value of pension liabilities;
- decreasing values of defined contribution (DC) pension balances;
- worsened liquidity positions of pension schemes due to adverse changes in financial markets and increased switching of investments and withdrawals of retirement savings by pension scheme members;
- reduced ability of some employers and employees to continue paying their pension contributions;
- the risk of locking in investment losses by some pension schemes members who may opt for switching towards more conservative investment portfolios or withdrawal of retirement savings;
- increased risk of pension scams, frauds and cyber-attacks affecting pension scheme members;
- increased cyber and operational risks affecting pension providers and supervisors; and
- the potential disruption of operational activities amongst employers, pension providers and supervisors due to the need to substantially move to working remotely.

The International Organisation of Pension Supervisors (IOPS), an independent international standard-setting body promoting good practices in pension supervision, has been monitoring the efforts that its members, pension supervisory authorities from 79 jurisdictions, have undertaken to address the consequences of the Covid-19 pandemic. Pension supervisors have been closely monitoring various aspects of private pension arrangements, including in relation to their operations, investments and asset allocation, market conduct (if within supervisory remit) and financial, liquidity and solvency positions.

Pension supervisory authorities have taken a number of measures¹ directed to protect the interest of members and beneficiaries of private pension schemes and funds, to maintain operations and business continuity of pension schemes and plans, and to ensure the financial health of private pension arrangements in current circumstances.

¹See the Annex. The detailed list of such measures is available, and being regularly updated, on the IOPS website: <http://www.iopsworld.org/iopsmembersmeasurestakentoaddressthecovid-19crisis.htm>

The International Organisation of Pension Supervisors supports the flexible, pragmatic, proportionate and risk-based supervisory approaches undertaken by its Members related to the Covid-19 crisis. Based on actions carried out by its Members, the IOPS states that it

- supports and promotes the need for early and clear communication and guidance to be provided by supervisors and supervised entities to respective stakeholders;
- acknowledges the relevance, in these specific circumstances, of easing some regulatory constraints and providing temporary relief from certain requirements for trustees, employers or service providers to allow them to continue their operations in a sustainable way; and
- recognises also the need in specific cases for measures that ease requirements for temporary access to pension accounts to address financial hardship, subject to the unique circumstances of each pension jurisdiction.

However, IOPS also notes:

- the need to take into consideration the longer term interest of pension beneficiaries and warns against actions which may lead to material worsening of the retirement outcomes of beneficiaries; and
- in this respect that early access to pension savings should be limited, temporary, and proportionate to actual needs, especially for most vulnerable groups, and withdrawn in a considered manner.

Further, IOPS emphasises the importance of:

- requiring that supervised entities prudently address risks emerging from the COVID-19 crisis, including implementation of adequate contingency plans, and steps to mitigate losses to reduce the impact on beneficiaries to the extent possible;
- preserving strong supervision of private pension arrangements and continuous close monitoring of actions undertaken by supervised entities;
- considering countercyclical policies with the objective of contributing as much as possible to the stabilisation and recovery of economies;
- coordinating private and public pension policies; and
- supervisors and supervised entities putting in place appropriate operational protection mechanisms related to Covid-19, including taking adequate actions to protect stakeholders against financial consumer abuses and to strengthen financial education amongst beneficiaries.

IOPS encourages further exchange amongst supervisors on their work to assess and address the implications of the Covid-19 crisis on the private pension arrangements worldwide. In this respect, IOPS plans to identify the lessons of this crisis for increased resilience of the supervision of pensions and pensions systems in general in facing such crisis scenarios. IOPS will also strengthen its cooperation and coordination with other standard-setting bodies aiming at mitigating the impact of the crisis on pension schemes, providers, members and beneficiaries.

Annex:

This Annex provides a summary of supervisory actions taken by some IOPS members in order to address the consequences of the Covid-19 pandemic. Pension supervisory authorities have:

communicated

- to stakeholders, the measures taken by supervisory authorities;
- to supervised entities, their supervisory expectations;
- to pension scheme members, the pension issues arising from the Covid-19 crisis (including increased cybersecurity and pension scam risks, decision options available such as delay/reduction/postponement of pension contributions, postponement of retirement, emergency access to retirement savings, eligible conditions, benefits and application procedures for these measures, and potential consequences of such decisions);

supported operations and business continuity of pension arrangements by

- reducing some regulatory constraints and providing relief from certain requirements for trustees, employers or providers to allow them to continue their priority operational activities. Such measures have included, for example, allowing more flexible deadlines or postponement of submissions of statutory returns, certified financial and accounting statements, actuarial reports and annual statements, and simplification of procedures (e.g. accepting submission of documents with only one electronic signature);
- applying more flexible approaches in respect of breaches of administrative and legal requirements (e.g. reporting requirements, payment of contributions by employers) by extending reporting deadlines, allowing more time to pay contributions without triggering enforcement actions or allowing self-correction actions within a certain time for non-payment;
- applying leniency for temporary and unintended breaches of investment limits (e.g. due to changes in market valuation);
- introducing transitional measures with regard to defined benefit schemes (e.g. valuation of technical provisions, minimum reserve requirements, extended deadlines for submission of recovery plans, temporary relief or moratorium on solvency payment requirements, the possibility for suspension of value transfers for a particular period in case of the risk members could be victims of scams or misadvised) and life insurance companies in charge of pension annuities (e.g. easing the requirements for the calculation of high-liquid assets adequacy ratios and/or solvency margin ratios);
- introducing transitional measures or offering guidance to overcome practical operational matters (e.g. virtual organisation or postponement of schemes' AGMs, board meetings, elections, prolongation of mandates of board members or trustees, signature of documents, assessing levies to be paid on the last audited accounts);

- considering, if relevant, a reduction of financial burden on supervised entities (e.g. via reduction of supervisory levies);
- postponing or temporarily suspending some policy and supervisory initiatives (e.g. issuing new licences, registration of guarantee assets, undertaking on-site examinations, sales agents examinations, policy development work, adjusting implementation dates, postponing some policy reforms);

required that supervised entities

- continue to strictly comply with the regulations, beyond these temporary/exceptional measures;
- ensure their business continuity and provision of services (payment of contributions and benefits, transfer of funds, customer service, sales, complaint management, service requests) through the use of electronic channels to avoid personal contacts;
- use electronic channels of communication with employers, pension scheme members or service providers to reduce personal contacts and facilitate the delivery and submission of documents;
- engage with relevant stakeholders on major issues, seek appropriate professional advice, be proactive and consumer focused;
- report to the supervisory authority on contingency plans and other measures taken to ensure business continuity, proper functioning of IT systems, new work procedures and systems adapted to the new circumstances;
- assess the impact on their operations due to the Covid-19 pandemic, and communicate in a timely manner with pension funds/scheme members on any significant changes to their services and communication;
- have in place proper mechanisms in response to extreme market situations, particularly valuation of assets, compliance with the statements of investment policies and objectives;
- monitor their operations, with a special focus on asset management and the development of the reserves for provisions;
- disclose contingency plans online to inform members and beneficiaries of all the measures taken that may affect contractual obligations;
- refrain or limit payment of the dividends to shareholders/parent entities, if relevant;

enhanced consumer protection by

- aiming to preserve members retirement balances by lowering the legal required minimum amounts of pay-outs (in order to slow down the pace of depleting retirement balances), freezing portability transfers and annuity purchases, or delaying pay-outs of retirement benefits, as well as encouraging pension scheme members to visit dedicated supervisory web-sites for guidance before making any decisions about their retirement savings;
- issuing warnings and educating pension scheme members about fraud/Covid-19 related pension scams (such as on-line or cold-calling scammers, proposals to transfer pensions to another

arrangement, proposals to transfer pension savings into high-risk investment opportunities or ‘high-return special pension funds’);

- taking action in relation to scams, unlicensed advice and poor disclosure;
- facilitating for members and beneficiaries to access pension services, information and advice remotely/on-line, if relevant;
- offering information on temporary relief measures available to pension scheme members and guidance for the members of defined contribution pension schemes regarding how to react in the situation of deteriorating financial markets and reduction/loss of earnings. In particular, some authorities have advised savers not to make any rash decisions about their retirement savings in response to the Covid-19 crisis;
- recommending to supervised entities that they monitor early withdrawals of retirement savings and explain to pension scheme members potential effects of such withdrawals;

in some jurisdictions, supervisors have carried out and monitored the implementation of **policy measures** allowing

- employers and/or employees to temporarily reduce, delay or suspend their pension contribution payments;
- pension scheme members who have been experiencing financial hardship, to have an emergency and temporary access to part of their retirement savings in order to provide them with necessary funds to cope with financial hardship consequences of the Covid-19 pandemic;

co-operated and engaged with other regulators, public authorities and industry to better understand and respond to the current challenges.