Conference on
PENSION REFORM IN RUSSIA:
From legislation to implementation

Supported by
The Government of the Russian Federation

Co-sponsored by:
US Department of Commerce
International Network of Pensions Regulators and Supervisors (INPRS)
Russian and US industry partners
Institute for Social Insurance Development

AGENDA

Moscow, Russia
24-26 September, 2003

Marriott Tverskaya Hotel
34, 1-st Tverskaya-Yamskaya street, Moscow, 125 047
OECD Conference
Pension Reform in Russia: From Legislation to Implementation
Moscow
September 24-26, 2003

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Co-sponsored by:

- US Department of Commerce
- Organisation for Economic Co-operation and Development
- Russian and US industry partners, including: Gazfond, Milliman USA, PioGlobal, Pallada Asset Management
- International Network of Pension Regulators & Supervisors
- NGO Institute for Social Insurance Development

Conference Description and Goals:

Over the past two years, the Russian Federation has passed sweeping pension reform laws, including a law on investments of the funded part of the state pension system and amendments to the law on non-state (private) pension funds. According to the new legislation, from January 2004 private pension funds become part of the national mandatory pension system of the Russian Federation. Providing a range of investment choice to all Russian citizens, this aspect of the pension reform is crucial to the provision of retirement income security for the Russian people and has been cited as a critical step in the development of capital markets in Russia, but much depends on successful implementation. Both Russian officials responsible for the reform and private sector participants have identified a number of critical issues that must be addressed to ensure that the reforms are implemented successfully. These issues include:

- Enhancement of regulatory and supervisory framework to ensure effective and efficient monitoring of pension fund investment practices and regulatory compliance;
- Additional reform of laws that may limit or render less attractive securities as an investment;
- Development of a public information program to educate and disseminate balanced information and education to new pension fund members; and
- Further development of administrative infrastructure enabling accurate recordkeeping and reporting of individual investment account balances and transactional activity.

This conference is intended to focus on these and other important issues related to Russia’s pension reforms, discuss relevant practices, standards and experiences in OECD and other countries, and provide a forum for dialogue among conference participants, who will include representatives from governmental authorities with experience in implementing, regulating and supervising pension fund programs, as well as private sector representatives with experience in investing pension fund assets in their home countries and internationally.
Program:

**DAY 1**
9:00-9:30 Welcome and Introduction

Ambrogio Rinaldi, COVIP, Italy and Chair of OECD Working Party on Private Pensions

Mikhail Dmitriev, First Deputy Minister of Economic Development and Trade of Russia

Yuri Lyublin, First Deputy Minister of Labour and Social Development of Russia

**Session 1**

9:30-11:00 Overview of Russian Pension Reform and the Road Ahead

This session will set the stage for the conference by providing a basic and comprehensive overview of the key elements of reform. It will identify some of the key tasks and challenges lying ahead from a variety of perspectives within Russia.

Moderator: Ambrogio Rinaldi, COVIP, Italy (10 minutes)

Mikhail Dmitriev, First Deputy Minister of Economic Development and Trade of Russia (30 minutes)

Andrei Vorontsov, Ministry of Finance of Russia (30 minutes)

Discussion (20 minutes)

11:00-11:30 Refreshment break

**Session 2**

11:30-12:30 Introduction to OECD/INPRS Principles and Guidelines for Pension Funds

This session will provide a brief overview of the principles and guidelines being developed by the OECD’s Working Party on Private Pensions in conjunction with the International Network of Pension Regulators and Supervisors. Presentation will focus on work in the area of governance standards for pension funds, as well as OECD work in progress on similar standards for insurance companies and collective investment schemes (CIS).

Russell Galer, OECD (25 minutes)

Evgeny Yakushev, Expert Council of Inspection of Non-State Pension Fund Under the Ministry of Labour and Social Development (20 minutes)

Discussion (20 minutes)

12:30-14:15 Lunch
**Session 3**

**14:15-17:00 Asset Management: Regulatory Standards For Investment and the Investment Process**

This session will cover topics related to the investment management activity of pension funds and its regulation by examining standards and industry practices in Russia and other countries.

**Moderator:** Russell Galer, OECD (10 minutes)

*Pension fund investment regulation: Prudent person and quantitative limits approaches*

Russell Galer, OECD (20 minutes)

*Brief overview of Russian pension fund investment standards and supervision*

Natalia Drobyashenko, Pallada Asset Management (30 minutes)

**15:15-15:35 Refreshment break**

Discussion on evaluation and risk management

Peter Davies, RiskMetrics, United States (30 minutes)

*Pension investment country case study: Netherlands*

Peter Kraneveld, PGGM, Netherlands (30 minutes)

Discussion (25 minutes)

**Session 4**

**17:00-18:15 Impact of Guarantees on Pension Plan Funding and Investment**

This session will address country experience with guaranty programs and the impact of these programs on pension funding and asset allocation. The role of and recent controversies regarding government-sponsored guaranty funds will be described. The speakers will also address the international trend from a defined benefit to a defined contribution framework for pension provision.

**Moderator:** Ambrogio Rinaldi, COVIP, Italy (5 minutes)

*Guaranty Programs: Principles and Application*

Csaba Feher, World Bank (25 minutes)

*United States Case Study*

Steven Kandarian, Pension Benefit Guaranty Corporation, United States (25 minutes)

Discussion (20 minutes)

**Reception hosted by PioGlobal**

**DAY 2**
Session 5  
9:00-10:40 Investment Opportunities in Russia and the Role of Pension Funds as Institutional Investors

This session will discuss the Russian capital markets and financial instruments available for investment in Russia. The role of international markets in the investment of pension assets will also be addressed. The potential role of pension funds as large institutional shareholders will also be discussed with reference to the experience in OECD countries.

Moderator: Ambrogio Rinaldi, COVIP, Italy (5 minutes)

Asset Management for Pension Funds in Russia: Discussion of recent developments and limitations in Russian capital markets and domestic investment opportunities for and constraints on pension funds. The current regulatory climate, overview of available instruments and who is allowed to participate in these investments, as well as tax and property code issues will be reviewed. Pension fund and life insurance company constraints will be compared. The perspective of foreign institutional investors will also be discussed.

Andrei Uspensky, PioGlobal (20 minutes)

Ulf Schneider, Russia Consulting (20 minutes)

Andrei Sharonov, The Federal Commission of Securities Markets (15 minutes)

The Institutional Investor Role in Corporate Governance: Discussion on the role and impact of private pension funds as institutional investors in both OECD and other countries, including market impact and role in corporate governance.

Stephen Lumpkin, OECD (20 minutes)

Discussion (20 minutes)

Solange Vieira, Telecommunications Workers Pension Fund Foundation, Brazil

10:40-11:00 Refreshment break

Session 6

11:00-13:30 Supervisory Structure, Perspectives and Techniques: Focus on Supervision of Asset Management and Financial Institutions

This session will discuss various models of supervision of pension funds and related financial institutions and review the variety of structures (e.g., consolidated or separate regulatory regimes) and supervisory methods employed. Discussion will address the issue of over- and under-regulation and the nature of the public-private (supervisor-regulated entity) relationship. Case studies will be presented.

Moderator: Vinicius Carvalho Pinheiro, OECD (5 minutes)

Discussion on supervisory structures and techniques in OECD countries, with reference to developing ‘good practices’ from study of OECD countries

Vinicius Carvalho Pinheiro, OECD (20 minutes)
The role for self-regulation and voluntary compliance incentive.
William Poole, The Federal Reserve Bank of St. Louis, United States (25 minutes)

Case Study 1: Hungary (25 minutes)
Attila Gaal, Hungarian Financial Supervisory Authority, Hungary

Case Study 2: Ireland (25 minutes)
Mary Hutch, Pensions Board, Ireland

The Russian perspective
Vyacheslav Bataev, Inspection of Non-State Pension Funds at the Ministry of Labor and Social Development (15 minutes)
David Shavishvili, Pension Investment Council (15 minutes)

Discussion (20 minutes)

13:30-15:00 Lunch

Session 7

15:00-17:30 Explaining Reform to the Public, Educating the Consumer and Protecting Pension Fund Members

This session will discuss the manner in which governments have undertaken the task of informing the public of the pension reforms and retirement savings opportunities. The role of private sector institutions (pension funds and financial institutions) in educating, assisting and advising consumers regarding new pension and savings products will be addressed. The role of disclosure regimes and adequate regulatory standards to protect pension fund members also will be discussed.

Moderator: Dmitry Konshin, Institute for Social Insurance Development (10 minutes)

Discussion on the Russian perspective on information dissemination to the public
Andrei Stoliarov, NPF GAZFOND (25 minutes)

Discussion on the role financial sector and other private sector entities can play in educating and otherwise assisting the public
Elizabeth Hebert, Pallada Asset Management (25 minutes)

16:00-16:20 Refreshment break

Country case study: Germany
Markus J. Weyer, Germany (25 minutes)

Country case study: Ireland
Mary Hutch, Pensions Board, Ireland (25 minutes)

Discussion (20 minutes)
Dinner hosted by the Gazfond

DAY 3

Session 8

9:00-11:00 Administrative and IT Challenges for Russian Authorities

This session will discuss the administrative challenges that the Russian authorities may anticipate as they implement the new pension fund program. The discussion will focus on collection of contributions; clearinghouse infrastructure, administration and record keeping; and the relationship among government clearinghouse facilities, asset managers, and the public.

Moderator: Greg McTaggart, USAID Pension Reform Project, Ukraine (5 minutes)

The Ukrainian perspective
Greg McTaggart, USAID Pension Reform Project, Ukraine (20 minutes)

The Russian perspective
Yuri Lyublin, First Deputy Minister of Labour and Social Development of Russia (25 minutes)

Hong Kong, China perspective
Hendena Yu, Mandatory Provident Fund Schemes Authority, Hong Kong, China (25 minutes)

Reflections on the Russian Case
Janet Rubenstein, Milliman USA, United States (25 minutes)

Discussion (20 minutes)

11:00-11:15 Refreshment break

Session 9

11:15-12:30 Understanding fees and controlling costs

This session will discuss the array of potential fees and costs in pension fund products and administration, describe experiences with controlling costs and fees in various countries with similarly structured pension fund programs, and take a critical look at various country experiences.

Moderator: Stephen Lumpkin, OECD (5 minutes)

Discussion on the impact of economies of scale and competition on fees and expenses in the pension asset management industry.

Pavel Teplukhin, Troika-Dialog Asset Management (25 minutes)

Cases in countries in transition
Agnieszka Chlon, Gdansk Institute for Market Economics, Poland (25 minutes)

Discussion (20 minutes)

12:30-13:00  Summary and Conclusion

Yuri Lyublin, First Deputy Minister of Labour and Social Development of Russia

Douglas Baker, Deputy Assistant Secretary, U.S. Department of Commerce

Ambrogio Rinaldi, COVIP, Italy and Chair of OECD Working Party on Private Pensions