OECD/INPRS/KOREA Conference on Private Pensions in Asia

October 24-25, Seoul, Korea

Conference Agenda

Day 1: October 24

8:30-9:00 Registration

9:00-9:20 Opening Session

Co-Chairs:
- Mr. Rinaldo Pecchioli, Deputy Director, Directorate for Financial, Fiscal and Enterprise Affairs, OECD
- Mrs. Song-Ja Kim, Vice Minister of Ministry of Labour, Korea

9:20-10:30 Session 1: Recent OECD and INPRS activities

Mr. Russell Galer, OECD (20 minutes presentation & 10 minutes discussion)

Recent Trends of Pension Systems in Asia-Pacific Region - Country notes from selected countries

Moderator: David Lindeman, OECD

Speakers:
- India: Mr. H. O. Sonig, Insurance Regulatory and Development Authority (20 minutes)
- Japan: Mr. Noriyuki Takayama, Professor, Hitotsubashi University, Japan (20 minutes)

10:30-10:50 Coffee Break

10:50-12:00 Session 1 continued.

- China: Mr. Stuart H. Leckie, Hewitt Associates, Hong Kong (20 minutes)
- The Philippines: Mr. Emilio Aquino, Director for Non-Traditional Securities and Instruments Department, Securities and Exchange Commission (20 minutes)
- Singapore: Mr. Jee Toon Tan, Mercer Investment Consulting, Singapore (15 minutes)

Discussion

12:00-14:00 Lunch
Thursday, 17 October 2002

**14:00-16:00 Session 2: Pension Plan Governance**

Moderator: *Mr. Russell Galer, OECD*

Speakers:
- *Mr. Richard Hinz, Department of Labour, US (20 minutes)*
- *Mrs. Mary Hutch, Pensions Board, Ireland (20 minutes)*
- *Mr. Hideyuki Morito, Seikei University, Japan (20 minutes)*
- *Ms. Hendena Yu, Mandatory Provident Fund Schemes Authority, Hong Kong (20 minutes)*

Discussion

**16:00-16:30 Coffee Break**

**16:30-18:00 Session 3: Pension Fund Investment**

Moderator: *Mrs. Mary Hutch, Pensions Board, Ireland*

Speakers:
- *Mr. Russell Galer, OECD (20 minutes)*
- *Mr. Noboru Terada, Executive Investment Officer, Government Pension Investment Fund, Japan (20 minutes)*
- *Mr. Greg Brunner, APRA, Australia (20 minutes)*

Discussion

**19:00-** Dinner
Day 2: October 25

9:00 – 11:00 Session 4: Options for the Distribution Stage
Moderator: Mr. Greg Brunner, APRA, Australia
Speakers:
- Mr. David Lindeman, OECD (20 minutes)
- Mr. Mike Wadsworth, Watson Wyatt, UK (20 minutes)
- Mr. Wai Mun Fong, Singapore University (20 minutes)
Discussant:
- Mr. Warren McGillivray, ISSA
Discussion

11:00-11:30 Coffee Break

11:30-13:30 Session 5: Case Study The Korean Pension System Current State and Future Agenda
Moderator: Mr. Werner Nussbaum, Pension Education Center, Switzerland
Speaker:
- Mr. Hyoung-Pyo Moon, Korea Development Institute, Korea (40 minutes)
Discussants:
- Mr. Mike Wadsworth, Watson Wyatt, UK (15 minutes)
- Mr. David Lindeman, OECD (15 minutes)
- Mr. Warren McGillivray, ISSA (15 minutes)
Discussion

13:30-15:30 Lunch (Key note speech by President Won-Duck Lee (KLI))
15:30-17:30  Session 6:  Case Study Reform Proposals for the Korean Pension System. The Coordinated Development of Public-Private Pensions

Moderator:  Mr. David Lindeman, OECD
Speakers:
- Mr. Ha-Nam Phang, Korea Labour Institute, Korea with
- Mr. Kee-Chul Shin, Financial Supervisory Service, Korea (40 minutes)
Discussants:
- Mr. Warren McGillivray, ISSA (15 minutes)
- Mr. Richard Hinz, Department of Labour, US (15 minutes)
- Mr. Greg Brunner, APRA, Australia (15 minutes)
Discussion

17:30-18:00  Closing Session

19:00-  Dinner
Conference on Private Pensions in Asia  
October 24-25, 2002 Seoul, Korea

The Conference on Private Pensions in Asia is jointly organized by the Korean Financial Supervisory Service, Korean Ministry of Labour, Korean Labor Institute (KLI), the International Network of Pension Regulators and Supervisors (INPRS) and the Organization for Economic Co-operation and Development (OECD), under the aegis of the programme of the Centre for Co-operation with Non-Members, with sponsorship from the government of Japan. The OECD is fostering the development of the INPRS, including regional sub-groups. This conference is the first international conference organized by the Asia-Pacific regional INPRS sub-group.¹

The conference focuses on selected issues in the private pensions field, including recent developments in the Asia-Pacific region, three topics of general interest (investment, plan governance and distribution options) and current policy options about Korea’s pension system.

SESSION 1: RECENT TRENDS IN PENSION SYSTEMS IN ASIA-PACIFIC REGION

This session will begin with an overview of recent OECD and INPRS activities in the field of private pensions by Mr. Russell Galer of the OECD secretariat.

This first session will continue with presentations from five countries about recent pension developments in their countries:

- Mr. H.O. Sonig of the Indian Insurance Regulatory and Development Authority on pension reform proposals in India
- Mr. Noriyuki Takayama of Hitotsubashi University on recent pension reforms in Japan
- Mr. Stuart H. Leckie of Hewitt Associates on recent situation of private pensions in China
- Mr. Emilio Aquino of the Philippines SEC on the private pension schemes in the Philippines
- Mr. Jee Toon Tan, Mercer Investment Consulting, on the pension system in Singapore.

SESSION 2: PENSION PLAN GOVERNANCE²

Pension arrangements broadly are either occupational plans (schemes) or are personal plans that resemble individual accounts in banks or individual contracts with insurance companies or collective investment schemes (CIS). Though occupational pensions rely upon the regulation and supervision of banks, insurance companies, CIS entities, and market players in general, they also invariably demand an extra layer of regulation and supervision. Included in this extra layer are bounds on the underlying labor (pension) contract and its associated tax advantages, regulations establishing an adequate governance infrastructure to ensure the accountability and suitability of the plans governing body, and rules assuring that the assets backing the plan commitments – that is, the pension fund -- are well managed. Personal pension plans arguably need less in the way of an extra layer of regulation, but even here the problems of information asymmetries and potential mis-selling are considerable and may require special scrutiny over and above that applied in the retail financial products marketplace.

The speakers in this session will focus on current policy issues in their countries (Ireland, Japan, United States, Hong-Kong) concerning occupational pensions. How are policy makers reacting to

¹ In October 2001, the OECD and the Ministry of Labour and Social Security from the People’s Republic of China co-organised the Workshop on the Occupational Pensions in China. The workshop was held back-to-back with the first meeting of the Asian-Pacific Regional INPRS. See DAFFE/AS/PEN/WD(2001)21/REV1
perceived failures under existing law; what has been the response to new tax inducements, and regulatory and supervisory interactions with other actors in the financial market? The United States and Hong-Kong are interesting cases in that both countries are dealing with a pension system that combines aspects of traditional occupational schemes with a large element of individual choice by workers (as with personal pension plans). In the United States, for many years the fastest growing segment of retirement provision has been the 401(k) plan, that combines aspects of both occupational and personal plans. Hong-Kong has enacted a very similar model on a mandatory basis. How are individuals handling issues of choice; should choice be limited (e.g., diversification required)? What is the role of employers, plan trustees and other fiduciaries who traditionally govern occupational plans in cases where investment decisions are delegated to individuals?

Participants in this session include:

- Mr. Richard Hinz, US Department of Labor
- Ms. Mary Hutch, Pensions Board, Republic of Ireland
- Mr. Hideyuki Morito, Seikei University, Japan
- Ms. Hendena Yu, Mandatory Provident Fund Schemes Authority, Hong Kong

**SESSION 3: PENSION FUND INVESTMENT**

This session will focus on the investment of the pension fund assets and regulation of the investment process. Mr. Russell Galer will provide an overview on the recent work at the OECD on pension investment regulation and outcomes, including the debate within the European Union and elsewhere whether quantitative limits add to or subtract from the seemingly more flexible prudent-person rule. Speakers from Japan and Australia will discuss investment policies and regulations. How should pension funds manage volatility and downturns in capital markets, and what do recent experiences teach about investment practices going forward?

The speakers will include:

- Mr. Noboru Terada, Executive Investment Officer, Government Pension Investment Fund, Japan
- Mr. Gregory Brunner, the Australian Prudential Regulatory Authority (APRA)

**SESSION 4: OPTIONS FOR THE DISTRIBUTION STAGE**

This session will discuss options for the distribution of retirement benefit payments. In both the basic social insurance tier (whether executed through pay-as-you-go or funded regimes) and among voluntary occupational and personal pension plans there is a strong tendency toward the “defined contribution” model. In that model, with some notable exceptions (e.g., Denmark), the distribution is either a single settlement (lump sum) or a series of withdrawals. Even in most countries with significant defined benefit pensions, some or all or the pension can be commuted into a lump sum, which option is almost always exercised. In either instance, individuals rarely then purchase annuities with all or some of these distributions – despite the risk pooling advantages of annuities. Ironically many opinion leaders argue that from a social policy perspective, annuities should be the presumptive form of distribution; indeed, the word “pension” means a series of payments.

The speakers at this session will review the reasons for this split between actual behavior (revealed preferences) and social policy objectives. This will include the role of the first pillar and whether economic

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fundamentals are in place to make annuities credible. The speakers will also discuss how the market might better respond to different risk-sharing preferences in the market and the challenges that a complex annuity market pose for consumer education and prevention of “mis-selling.”

Speakers will include:

- Mr. David Lindeman, OECD secretariat
- Mr. Mike Wadsworth, Watson-Wyatt
- Mr. Wai Mun Fong, National University of Singapore

SESSIONS 5 & 6: KOREAN PENSION SYSTEM AND PROPOSED REFORMS

During these last two sessions, the Korean hosts will outline their country’s current pension system and the agenda for changes to it. Currently, Korea has a relatively young national pension system introduced in 1988, and a mandatory retirement allowance scheme for workers, which is largely un- or under-funded and proposed to be converted to corporate pension.

In session 5, Mr. Moon will present a critical review of the current (public) system: its long-term sustainability and viable options for future reform. In session 6, Mr. Phang and Mr. Shin will present an overview of Korean pension reform debates in the past and propose a revised model for a multi-pillar system to be instituted in Korea. Particular attention will be paid to better coordination in the respective roles of the public (state-sponsored) pension and of private pensions, occupational and personal. These sessions will be complemented by a speech from President Won-Duck Lee of the KLI.

Participants in these sessions will include:

- Mr. Hyoung-Pyo Moon, Korea Development Institute
- Mr. Ha-Nun Phang, KLI
- Mr. Kee-Chul Shin, Financial Supervisory Service, Korea
- Mr. Greg Brunner, APRA
- Mr. Richard Hinz, US Department of Labor
- Mr. Warren McGillivray, ISSA
- Mr. Werner Nussbaum, Pension Education Center, Switzerland
- Mr. David Lindeman, OECD secretariat
- Mr. Mike Wadsworth, Watson-Wyatt