



**ASSOCIATION ACTUARIELLE INTERNATIONALE  
INTERNATIONAL ACTUARIAL ASSOCIATION**

9 September, 2013

Mr. André Laboul  
Secretary General  
International Organisation of Pension Supervisors

Dear Mr. Laboul,

**Re: Consultation on IOPS Draft Good Practices for Governance of Pension Supervisory Authorities**

Thank you for your letter of 5 July. We appreciate the opportunity to comment on the IOPS *Draft Good Practices for Governance of Pension Supervisory Authorities*. I am pleased to transmit, on behalf of the International Actuarial Association (IAA), our comments and recommendations.

These comments have been prepared by the Pensions and Employee Benefits Committee of the IAA. If, upon reading these comments, you identify any points that you wish to discuss or obtain further insight regarding them, please do not hesitate to contact Esko Kivisaari, vice-chairperson of the Pensions and Employee Benefits Committee, care of the [IAA Secretariat](#). The IAA will be pleased to develop these ideas further with you.

Yours sincerely,

Kurt Wolfsdorf  
President

Attachment: IAA comments

# Comments by the International Actuarial Association on the IOPS Draft Good Practices for Governance of Pension Supervisory Authorities

## International Actuarial Association and its Due Process

The International Actuarial Association (the “IAA”) represents the international actuarial profession. Our sixty-four Full Member actuarial associations, listed in [Appendix A](#) to this statement, represent more than 95% of all actuaries practicing around the world. The IAA promotes high standards of actuarial professionalism across the globe and serves as the voice of the actuarial profession when dealing with other international bodies on matters falling within or likely to have an impact upon the areas of expertise of actuaries.

We appreciate the opportunity to comment on the IOPS *Draft Good Practices for Governance of Pension Supervisory Authorities* and provide our comments below which are supportive of the proposed Good Practices. These comments have been prepared by the Pensions and Employee Benefits Committee, the members of which are listed in [Appendix B](#) to this statement. It has also been subject to the due process required for it to constitute a formal view of the IAA, and will be posted to the IAA’s official web site.

## General comments

The IOPS document discusses governance of pension supervisory authorities and it builds upon the following papers:

- IOPS principles of private pension supervision of 2010, and
- OECD recommendation on core principles of occupational pension regulation of 2009.

The document and definitions on page 4 and 5 reference supervisor authorities which supervise private pension plans. The last sentence of the definition of private pension plan suggests that public sector workers may be included in private sector plans in some countries but it is unclear if the meaning is to exclude from the scope of this document those authorities who supervise pension plans of public sector entities (“public sector plans”). It is not clear why that should be the case: some plans set up by public sector entities might have very similar properties with private sector plans, for example not all public sector plans are guaranteed by government. It would be helpful to discuss which, if any, of the draft good practices should be applicable to the governance of supervisory authorities of public sector plans too. More generally, it could be relevant to say that the scope contains both public and private pension plans where the supervisor, based on a mandate from local legislation, has the power to supervise those plans. It might make sense to have this discussion after the OECD has published its revised core principles.

We would like to bring to your attention some restrictions in the definitions. The definition of a pension plan states that it “is a legally binding contract having an explicit retirement objective” and a pension fund is “a legally separated pool of assets forming an independent legal entity”. This is similar to language used in insurance, which would be appropriate for insured pension plans. For non-insured pension plans (which in many countries outnumber insured plans), it would be more appropriate to define a pension plan as part of the employment contract and a pension fund as a stand-alone funding vehicle.

It may also be appropriate to ask the question whether and how similar the governance of pension supervisory authorities should be to the governance of insurance supervisory authorities, given that the regulatory objectives for the governance and operation of pensions and insurance share both similarities and differences. In some countries, pension and insurance share the same supervisory authority and it is natural to assume the same Good Practices would apply across the departments of that supervisor authority.

### **Comments to some specific paragraphs**

The importance of the independence of the supervisor is paramount. There is a hierarchy of decisions that supervisory bodies have to take<sup>1</sup> – some of which could be politically influenced. Paragraph 1.3 could mean that the supervisor is solely accountable to the party that may be doing the political influencing. That is, supervisors are not without some of the real world pressures that influence decision making. We support a robust decision making process with appropriate controls. The Good Practices in this document are helpful in ensuring that an appropriate and sustainable supervisory system is in place.

This issue is discussed in the “parent” IOPS paper, IOPS principles of private pension supervision”. There principle 2 talks of independence and says “Pension supervisory authorities should have operational independence” and its motivation in 2.1 to 2.4:

- “(2.1) The pension supervisory authority should have operational independence from both political authorities and commercial interference in the exercise of its functions and powers
- (2.3) The pension supervisory authority should also be funded in such a way as to ensure independence....
- (2.4) ...over-ruled only by judicial decision, including tribunals with relevant powers, or by parliamentary process.”

Such independence should be framed against the regulatory objectives that the supervisory authority is charged with achieving. For example, decisions taken should be consistent with achieving the long term solvency of the pension fund (assets in the fund and the ability of the plan to call on the sponsor’s covenant).

We note that Good Practice 3 (about internal controls and internal and external audit) and Good Practice 4 (code of conduct and managing conflicts of interest) could be interpreted to imply more emphasis on process and “ethics” and less emphasis on “expertise”. We support that a sustainable pension system, its governance and the supervisor authority who supervises it should build equally on expertise and ethical behaviour. This is touched on in section 1 but we suggest the document merits a section on each.

In this regard, we would like to inform you that the IAA in 2002, through its Insurance Regulation Committee, produced a paper on using actuaries in insurance supervision. If the IOPS so wishes, we would be pleased to produce a paper on using actuaries in pension supervision.

---

<sup>1</sup> Some decisions pertain to single plans in the short term (e.g., whether to accept the latest valuation report); some to single plans in the medium term (e.g., funding strategy for a plan in an industry sector that is on the decline); some to single plans but which directly impact other parties (e.g., possible guarantee schemes); some that affect an industry sector or even the whole economy (e.g., the Solvency II debate for pensions in Europe).

## Appendix A

### Full Member Organizations - 64

Caribbean Actuarial Association  
Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires (Argentina)  
Actuaries Institute Australia (Australia)  
Aktuarvereinigung Österreichs (AVÖ) (Austria)  
Institut des Actuaire en Belgique (Belgique)  
Aktuarsko Drustvo U Bosni I Hercegovini (Bosnia and Herzegovina)  
Instituto Brasileiro de Atuária (IBA) (Brazil)  
Bulgarian Actuarial Society (Bulgaria)  
Canadian Institute of Actuaries/Institut Canadien des Actuaire (Canada)  
China Association of Actuaries (China)  
Actuarial Institute of Chinese Taipei (Chinese Taipei)  
Asociación Colombiana de Actuarios (Colombia)  
Institut des Actuaire de Côte d'Ivoire (Côte D`Ivoire)  
Hrvatsko Aktuarsko Drustvo (Croatia)  
Cyprus Association of Actuaries (Cyprus)  
Česká Společnost Aktuárù (Czech Republic)  
Den Danske Aktuarforening (Denmark)  
Egyptian Society of Actuaries (Egypt)  
Eesti Aktuaaride Liit (Estonia)  
Suomen Aktuaariyhdistys (Finland)  
Institut des Actuaire (France)  
Deutsche Aktuarvereinigung e. V. (DAV) (Germany)  
Hellenic Actuarial Society (Greece)  
Actuarial Society of Hong Kong (Hong Kong)  
Magyar Aktuárius Társaság (Hungary)  
Félag Íslenskra Tryggingastærðfræðinga (Iceland)  
Institute of Actuaries of India (India)  
Persatuan Aktuaris Indonesia (Indonesia)  
Society of Actuaries in Ireland (Ireland)  
Israel Association of Actuaries (Israel)  
Istituto Italiano degli Attuari (Italy)  
Institute of Actuaries of Japan (Japan)  
Japanese Society of Certified Pension Actuaries (Japan)  
The Actuarial Society of Kenya (Kenya)  
Latvijas Aktuaru Asociacija (Latvia)  
Lebanese Association of Actuaries (Lebanon)  
Lietuvos Aktuariju Draugija (Lithuania)  
Persatuan Aktuari Malaysia (Malaysia)  
Colegio Nacional de Actuarios A. C. (Mexico)  
Association Marocaine des Actuaire (Morocco)  
Het Actuarieel Genootschap (Netherlands)  
New Zealand Society of Actuaries (New Zealand)  
Den Norske Aktuarforening (Norway)

Pakistan Society of Actuaries (Pakistan)  
Actuarial Society of the Philippines (Philippines)  
Polskie Stowarzyszenie Aktuariuszy (Poland)  
Instituto dos Actuários Portugueses (Portugal)  
Russian Guild of Actuaries (Russia)  
Udruzenje Aktuara Srbije (Serbia)  
Singapore Actuarial Society (Singapore)  
Slovenska Spolocnost Aktuarov (Slovakia)  
Slovensko Aktuarsko Drustvo (Slovenia)  
Actuarial Society of South Africa (South Africa)  
Col.legi d'Actuaris de Catalunya (Spain)  
Instituto de Actuarios Españoles (Spain)  
Svenska Aktuarieföreningen (Sweden)  
Association Suisse des Actuaires (Switzerland)  
Society of Actuaries of Thailand (Thailand)  
Institute and Faculty of Actuaries (United Kingdom)  
American Academy of Actuaries (United States)  
American Society of Pension Professionals & Actuaries (United States)  
Casualty Actuarial Society (United States)  
Conference of Consulting Actuaries (United States)  
Society of Actuaries (United States)

## Appendix B

### Members of the Pensions and Employee Benefits Committee

Chairperson	Gary Ryan Hibbard
Co-Vice-Chairpersons	Esko Kivisaari Thomas S Terry
Members	Félix Arias Bergadà [Life Section] Charles Anthony Cowling [Institute and Faculty of Actuaries] Barbara D'Ambrogi-Ola [Suomen Aktuaariyhdistys] Philippe Demol [Institut des Actuairens en Belgique] Maria Economou [Hellenic Actuarial Society] Erik Falk [Den Norske Aktuarforening] Yasuyuki Fujii [Japanese Society of Certified Pension Actuaries] Alfred E. Gohdes [Deutsche Aktuarvereinigung e. V. (DAV)] Kenneth F. Hohman [American Academy of Actuaries] Kenneth F. Hohman [Conference of Consulting Actuaries] Martin Janecek [Ceská Spolecnost Aktuárù] Pari Kandhai [Het Actuarieel Genootschap] Henry Peter John Karsten [Instituto de Actuarios Españoles] Sylvestre Konin [Institut des Actuairens de Côte d'Ivoire] Martin Kosztolanyi [Slovenska Spolocnost Aktuarov] Åsa Larson [Svenska Aktuarieföreningen] Safia Lekehal [Institut des Actuairens] Jason J Malone [Canadian Institute of Actuaries/Institut Canadien des Actuairens] José Roberto Montello [Instituto Brasileiro de Atuária (IBA)] José Muriel Del Sordo [Colegio Nacional de Actuarios A. C.] John Michael Newman [Actuaries Institute Australia] Joseph A Nichols [American Society of Pension Professionals & Actuaries] Konrad Niklewicz [Association Suisse des Actuairens] Masaaki Ono [Institute of Actuaries of Japan] Ieva Ose [Latvijas Aktuaru Asociacija] Gediminas Rackauskas [Lietuvos aktuariju draugija] Ana Margarida Da Silva Ramos Estrela [Instituto dos Actuários Portugueses] Ksenija Sanjkovic [Hrvatsko Aktuarsko Društvo] Donald J Segal [Society of Actuaries] Anna Vyacheslavovna Selivanova [Russian Guild of Actuaries] David Serr [Israel Association of Actuaries] Philip Stewart Shier [Society of Actuaries in Ireland] Selwyn Feldman [Actuarial Society of South Africa] Kollimarla Subrahmanyam [Institute of Actuaries of India] Joan Angel Vergés Guerra [Col.legi d'Actuaris de Catalunya] Xiao Qiang Zhao [China Association of Actuaries]
Ex officio	Alfred E. Gohdes [Chairperson, Pension and Benefits Accounting Subcommittee]
Executive Committee Liaison	David K. Sandberg