



**ASSOCIATION ACTUARIELLE INTERNATIONALE
INTERNATIONAL ACTUARIAL ASSOCIATION**

September 5, 2008

Ms. Fiona Stewart
IOPS Secretariat
OECD Bureau Ingres 278
2 rue André Pascal
75116 Paris, France

Dear Ms. Stewart

Re: IAA comments on the IOPS Draft Guidelines for the Supervisory Assessment of Pension Funds

In response to the request for comments on the June 25, 2008 Draft Guidelines for the Supervisory Assessment of Pension Funds, 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 would wish to pursue, please do not hesitate to contact the chairperson of the committee, Esko Kivisaari, or any of the other members of the committee. The IAA will be pleased to develop these ideas further with you.

Yours sincerely

Yves Guérard
Secretary General

[Attachment](#): IAA comments

**A Commentary on the
DRAFT GUIDELINES FOR THE SUPERVISORY ASSESSMENT OF PENSION FUNDS
Released by the International Organisation of Pension Supervisors: 25 June 2008**

International Actuarial Association

The International Actuarial Association (the “IAA”) represents the international actuarial profession. Our sixty Full Member actuarial associations represent more than 95% of all actuaries practicing around the world. The Full Member associations of the IAA are listed in an Appendix to this statement. 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 on the areas of expertise of actuaries.

Due Process

These comments have been prepared by the Pensions and Employee Benefits Committee, the members of which are listed in an Appendix 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.

IAA Comments

We thank the IOPS for the opportunity to comment on the guidelines presented in this paper. We would be pleased to meet with the IOPS to expand on our written comments as we feel actuaries have profound experience with pension funds in different jurisdictions. This results from the fact that actuaries are extensively involved in the operations of pension funds.

Generally we feel that the IOPS has done good work in an important area. These guidelines are a significant step forward. The guidelines provide extensive guidance in various areas. In what follows, we have restricted our comments to issues we feel are close to actuaries.

Paragraph 1

As a starting point we would like to stress, as regards paragraph 1, that the role of supervisors should not in any way lead to thoughts that this means a reduction of the responsibilities of the pension funds and their administrative bodies. Main and ultimate responsibility for the pension fund as well to employees/beneficiaries as to the sponsoring employer, and also to other stakeholders, should always lie with the administrative body of the fund. A pension fund needs to monitor its risks accordingly, often together with the use of external expertise and see that it is operating safely. The supervisory process should be built on this basis to see that the fund is operated properly.

Paragraph 5

In paragraph 5 the idea of risk-based supervision is introduced. The actuarial profession supports strongly the idea that supervision should be risk-based. To our understanding this follows closely the developments in the financial sector where banks (according to Basel II) and insurers (especially according to the European Solvency II project) are increasingly under risk-based supervision. We also feel that risk-based supervision in pension funds is an area where

much more work needs to be done. Due to the special characteristics of pension funds all tools utilized in other financial services might not be suitable as such to be applied to pension funds. The IAA would be happy to be involved in future work to define more thoroughly what risk-based supervision for pension funds actually means.

Paragraph 9

In the Preamble, paragraph 9 and before that in “Objective of Regular Monitoring of Pension Funds”, the objective of enabling pension supervisory authorities to monitor and assess the risk profile of pension funds and to plan its supervisory approach is stated. We feel that this is the objective of regular collection and analysis of pension-fund specific information. We also feel that the actuarial part of information provided to the supervisor serves just this purpose and should in the future be tailored to do so even more. Also in this area the IAA would like to participate in future work to elaborate these ideas. Regular collection of information is however not enough for all supervision. This should be complemented with regular meetings with the management and with the requirement for the fund to report on circumstances that expose the members to significant risk.

Even though we find very many concepts and ideas that reflect actuarial work, we find it odd that actuaries are mentioned in very few paragraphs of the guidelines (paragraphs 2.9 c, and 6.5). We feel that the supervisory process could explicitly and more extensively be built upon the work of actuaries (we also feel that the role of the auditor could be more explicit in the guidelines). For example in paragraph 10 e in the Preamble, reference to actuarial reports could be added. Also, as an example, we would have expected the mentioning of qualified actuaries to determine the schemes’ expected contribution schedule and funding level, etc., in paragraph 7.2 d and e. In 2002, the IAA submitted its ideas on actuaries in supervision to the IAIS. We feel that this document is still up to date and we hope that its ideas are incorporated in the final version of these guidelines. A copy is included with this statement.

Members of the IAA Pensions and Employee Benefits Committee

Esko Kivisaari	Chairperson
Yoshihiro Oyama	Vice-Chairperson
Ronald Bowie	Faculty of Actuaries
Luca Coppini	Istituto Italiano degli Attuari
Philippe Demol	Association Royale des Actuaire Belges
Yasuyuki Fujii	Japanese Society of Certified Pension Actuaries
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Gary Hibbard	Institute of Actuaries
Bozenna Hinton	Institute of Actuaries of Australia
Curtis E. Huntington	American Society of Pension Professionals & Actuaries
Martin Janecek	Ceská Spolecnost Aktuárù
James Kehoe	Society of Actuaries in Ireland
Sylvestre Konin	Institut des Actuaire de Côte d'Ivoire
Martin Kosztolanyi	Slovenska Spolocnost Aktuarov
Åsa Larson	Svenska Aktuarieföreningen
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Ksenija Sanjkovic	Hrvatsko Aktuarsko Društvo
K.P. Sarma	Institute of Actuaries of India
David Serr	Israel Association of Actuaries
Colin Leslie Southey	Actuarial Society of South Africa
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Joan Angel Vergés Guerra	Col.legi d'Actuaris de Catalunya
Jill M Wagman	Canadian Institute of Actuaries
Ulrich Wehrli	Association Suisse des Actuaire

Full Member Associations of the IAA

Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires
(Argentina)
Institute of Actuaries of Australia (Australia)
Aktuarvereinigung Österreichs (AVÖ) (Austria)
Association Royale des Actuaire Belges (Belgique)
Instituto Brasileiro de Atuária (IBA) (Brazil)
Bulgarian Actuarial Society (Bulgaria)
Canadian Institute of Actuaries/Institut Canadien des Actuaire (Canada)
Actuarial Institute of Chinese Taipei (Chinese Taipei)
Institut des Actuaire de Côte d'Ivoire (Côte D'Ivoire)
Hrvatsko Aktuarsko Društvo (Croatia)
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Česká Společnost Aktuárů (Czech Republic)
Den Danske Aktuarforening (Denmark)
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Deutsche Aktuarvereinigung e. V. (DAV) (Germany)
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Magyar Aktuárius Társaság (Hungary)
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Persatuan Aktuaris Indonesia (Indonesia)
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New Zealand Society of Actuaries (New Zealand)
Den Norske Aktuarforening (Norway)
Pakistan Society of Actuaries (Pakistan)
Actuarial Society of the Philippines (Philippines)
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Singapore Actuarial Society (Singapore)
Slovenska Spolocnost Aktuarov (Slovakia)
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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)
Faculty of Actuaries (United Kingdom)
Institute of Actuaries (United Kingdom)
American Academy of Actuaries (United States)
American Society of Pension Professionals & Actuaries (United States)
Casualty Actuarial Society (United States)
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