



**ASSOCIATION ACTUARIELLE INTERNATIONALE
INTERNATIONAL ACTUARIAL ASSOCIATION**

May 5, 2009

Mrs. Fiona Stewart
Secretariat
International Organisation of Pension Supervisors
Paris, France

Dear Madam

**Re: IAA comments on the Draft IOPS Guidelines for Supervisory Intervention,
Enforcement and Sanctions**

In response to the request for comments on the March 2009 draft IOPS Guidelines for Supervisory Intervention, Enforcement and Sanctions, 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 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 IOPS GUIDELINES FOR SUPERVISORY INTERVENTION, ENFORCEMENT AND SANCTIONS
RELEASED BY THE INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS: 30 MARCH 2009**

International Actuarial Association

The International Actuarial Association (the “IAA”) represents the international actuarial profession. Our sixty-two 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

The IAA welcomes the opportunity to comment on the draft IOPS guidelines for supervisory intervention, enforcement and sanctions. We would be pleased to meet with 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.

During so-called normal times pension funds are extremely important to beneficiaries, and they become especially important during times of financial crisis. Problems in pension funds can add to the concerns of beneficiaries if there are problems in governance and supervision. One could state, however, that even more care should be taken when making large or radical changes during a financial crisis, as these actions might only address the specific issues tied to the crisis, while at the same time harming the longstanding health of the funds.

Generally we feel that the OECD has done good work in an important area. These guidelines are a significant step forward and they provide extensive guidance in various areas. They would enhance transparency in supervisory actions and thus serve to strengthen the foundation of pension provision.

In what follows, we have restricted our comments to issues we feel are close to actuaries. This will make our comments fairly short as most of the issues touched on in the draft guidelines deal more with actual supervisory actions rather than the actuarial issues that are supervised.

Generally we feel that supervisory actions should be built on the foundation of risk-based supervision in fund governance, advocated for example by the OECD Working Party on Private Pensions. It is essential that an entity has in place sound risk-based governance and understands

its risks. An entity should have a good working relationship with the supervisory authority so that emerging problems can be discussed in a constructive way.

This means to our understanding that not only pension institutions but also supervisors should have adequate and competent resources to analyse the situation of the supervised pension institutions. Only with good understanding of the problems can supervisory actions be correctly targeted. One part of these essential resources is actuarial expertise, which should be utilised by both institutions and supervisory bodies. We would propose that before Guidelines 1 through 10 listed in the draft, there should be a “Guideline 0” stressing the need to have adequate and competent resources to hand.

In the footnotes on page 3 there are restrictions regarding the scope of supervision. We feel that such restrictions place too heavy a burden on the beneficiaries in pension systems. We understand that there are currently a wide variety of commitments that fall under the term “pension.” It is practically impossible for the beneficiary to understand how much security there may be in different arrangements. Therefore, we propose that the concept of a pension should in future refer only to activities that are supervised and that require some form of licensing, as is the case with insurance and banking, for example. Other forms of provisions should not then be termed pensions.

For Guideline 3 we agree that the process of intervention should be clear and understandable. The motivation for this guideline includes discussion as to what triggers supervisory intervention. We feel, however, that such triggers should be flexible. This would mean that instead of mathematically or legally defined exact rules, the supervisor would be able to act on more qualitative or risk-based grounds.

Members of the IAA Pensions and Employee Benefits Committee

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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)
Caribbean Actuarial Association
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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Actuarial Society of Hong Kong (Hong Kong)
Magyar Aktuárius Társaság (Hungary)
Félag Islenskra Tryggingastærðfræðinga (Iceland)
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Persatuan Aktuaris Indonesia (Indonesia)
Society of Actuaries in Ireland (Ireland)
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Den Norske Aktuarforening (Norway)
Pakistan Society of Actuaries (Pakistan)
Actuarial Society of the Philippines (Philippines)
Polskie Stowarzyszenie Aktuariuszy (Poland)

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Academia de Actuarios de Puerto Rico (Puerto Rico)
Russian Guild of Actuaries (Russia)
Udruženje 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)
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)
Conference of Consulting Actuaries (United States)
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