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.
Appendix A

Members of the IAA Pensions and Employee Benefits Committee

Esko Kivisaari     Chairperson
Gary Ryan Hibbard  Vice-Chairperson
Yoshihiro Oyama    Vice-Chairperson
Valery Baskakov    Russian Guild of Actuaries
Ronald Bowie      Faculty of Actuaries
Philippe Demol     Association Royale des Actuaires Belges
Yasuyuki Fujii     Japanese Society of Certified Pension Actuaries
Alfred E. Gohdes   Deutsche Aktuarvereinigung e.V.
Bozenna Hinton     Institute of Actuaries of Australia
Curtis E. Huntington American Society of Pension Professionals & Actuaries
Martin Janecek     Ceská Spolecnost Aktuárů
James Richard Kehoe Society of Actuaries in Ireland
Sylvestre Konin    Institut des Actuaires de Côte d'Ivoire
Martin Kosztolanyi Slovenska Spolocnost Aktuarov
Ása Larson         Svenska Aktuarieföreningen
José Roberto Montello Instituto Brasileiro de Atuária (IBA)
José Muriel Del Sordo Colegio Nacional de Actuarios A.C.
Ieva Ose           Latvijas Aktuaru Asociacija
John Parks         American Academy of Actuaries
Hannu Parviainen   Suomen Aktuaariyhdistys
Irene Paterson     Faculty of Actuaries
Manuel Peraita Huerta Instituto de Actuarios Españoles
Eduard Ponds       Het Actuarieel Genootschap
Gediminas Rackauskas Lietuvos aktuariju draugija
Ksenija Sanjkovic  Hrvatsko Aktuarsko Drustvo
K.P. Sarma         Institute of Actuaries of India
David Serr         Israel Association of Actuaries
Colín Southey      Actuarial Society of South Africa
Anne Grete Steinkjer Den Norske Aktuarforening
Thomas S Terry     Conference of Consulting Actuaries
Joan Angel Vergés Guerra Col.legi d'Actuaris de Catalunya
Jill M Wagman      Canadian Institute of Actuaries
Ulrich Wehrli      Association Suisse des Actuaires
Appendix B

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 Actuaires Belges (Belgique)
Instituto Brasileiro de Atuária (IBA) (Brazil)
Bulgarian Actuarial Society (Bulgaria)
Canadian Institute of Actuaries/Institut Canadien des Actuaires (Canada)
Caribbean Actuarial Association
Actuarial Institute of Chinese Taipei (Chinese Taipei)
Institut des Actuaires de Côte d'Ivoire (Côte D'Ivoire)
Hrvatsko Aktuarsko Drustvo (Croatia)
Cyprus Association of Actuaries (Cyprus)
Ceská Společnost Aktuárů (Czech Republic)
Den Danske Aktuarforening (Denmark)
Egyptian Society of Actuaries (Egypt)
Eesti Aktuaaride Liit (Estonia)
Suomen Aktuaariryhmä (Finland)
Institut des Actuaires (France)
Deutsche Aktuarvereinigung e.V. (DAV) (Germany)
Hellenic Actuarial Society (Greece)
Actuarial Society of Hong Kong (Hong Kong)
Magyar Aktuárius Társaság (Hungary)
Félag Islenskra 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)
Latvijas Aktuāru Asociācija (Latvia)
Lebanese Association of Actuaries (Lebanon)
Lietuvos Aktuarijų Draugija (Lithuania)
Persatuan Aktuari Malaysia (Malaysia)
Colegio Nacional de Actuarios A.C. (Mexico)
Association Marocaine des Actuaires (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 Aktariuszy (Poland)
Instituto dos Actuários Portugueses (Portugal)
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)
Society of Actuaries (United States)