

IPEBLA

International Pension & Employee Benefits Lawyers Association



OECD Pension Activities

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What is the OECD/OCDE?

- Founded in 1961 in Paris, with the aim of promoting policies designed:
 - To achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;
 - To contribute to sound economic expansion in Member as well as non-member countries in the process of economic development; and
 - To contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.
- Mission: OECD brings together the governments of countries committed to democracy and the market economy from around the world to:
 - Support sustainable economic growth
 - Boost employment
 - Raise living standards
 - Maintain financial stability
 - Assist other countries' economic development
 - Contribute to growth in world trade
 - Provide a setting where governments compare policy experiences, seek answers to common problems, identify good practice and coordinate domestic and international policies.

Who are the members of the OECD/OCDE?

- AUSTRALIA
- AUSTRIA
- BELGIUM
- CANADA
- CHILE
- CZECH REPUBLIC
- DENMARK
- ESTONIA
- FINLAND
- FRANCE
- GERMANY
- GREECE
- HUNGARY
- ICELAND
- IRELAND
- ISRAEL
- ITALY
- JAPAN
- KOREA
- LUXEMBOURG
- MEXICO
- NETHERLANDS
- NEW ZEALAND
- NORWAY
- POLAND
- PORTUGAL
- SLOVAK REPUBLIC
- SLOVENIA
- SPAIN
- SWEDEN
- SWITZERLAND
- TURKEY
- UNITED KINGDOM
- UNITED STATES

How does the OECD/OCDE function?

- The Convention, supplementary protocols and reservations
 - May make binding decisions (subject to reservations, e.g., US)
 - May make recommendations
 - May enter into agreements with members, non-member states and international organizations
- Secretary-General oversees various Directorates, the principal one for pensions being the Directorate for Financial and Enterprise Affairs (DAF), though also of interest is the Centre for Tax Policy and Administration
 - Insurance and Private Pensions Committee (IPPC) is under the DAF
 - IPPC has a Working Party on Private Pensions (WPPP)
 - Centre for Tax Policy oversees the model OECD tax treaty and its pension provisions
- IPPC and WPPP generally meet twice a year
- Role of BIAC, TUAC, other private sector organisations

How does the OECD/OCDE function?

- OECD has been primarily known for research and analysis, publishing statistical and other studies
- Increasingly is guiding thinking in a number of areas, e.g., tax evasion
- How has this been playing out in the pension field?

IPPC/WPPP Pension Activities

- Guidelines:
 - Pension Fund Governance (2002, updated 2009)
 - Core Principles for Occupational Pension Fund Regulation (2004)
 - Funding and Benefit Security in Occupational Pension Plans (2007)
 - Joint OECD-IOPS Guidelines on the Licensing of Pension Entities (2008)
- Increased coordination with International Organisation of Pension Supervisors (IOPS)
 - 60 members (e.g., includes Brazil, India, China)
 - Standards are considered more binding (US is not a member)
- Increasing recognition of accounting role with IASB convergence

Why is the OECD/OCDE important to private pensions?

- Influence on local regulators
- Influence on accounting and actuarial standards
- Tendency for guidelines to become rules
 - Encouraged through IOPS and enhanced role for auditors
- Increasing globalization of pension governance for multinationals
- Increasing cross-border investment
 - Even for one-country plans
- For companies operating in developing countries, OECD is setting aspirational pension standards
 - Israel, Russian, Brazil, China, India, Indonesia and South Africa are in various forms of observer status or in discussion for accession to possible OECD membership

Consolidated Core Principles of Occupational Pension Plans

- Adopted in 2009
- Developed jointly with IOPS and incorporates IOPS Principles of Private Pension Supervision of 2006
- Will be subject to regular revisions

SEVEN CORE PRINCIPLES

- Conditions for effective regulation and supervision
- Establishment of pension plans, pension funds and pension fund managing companies
- Pension plan liabilities, funding rules, winding-up and insurance
- Asset management
- Rights of members and beneficiaries and adequacy of benefits
- Governance
- Supervision

Recent updated Guidelines on Pension Fund Governance

- Finalized July 2009. New provisions:
 - Places the auditor "in charge of" verifying controls relating to risk management and conflicts of interest and boosting the actuary's "whistle-blowing function"
 - Encourages pension plan policies regarding environmental, political and regulatory changes
 - Encourages adoption of a formal code of conduct and conflict of interest policy
 - Emphasizes the plan governing body's risk management and oversight responsibilities
 - Encourages adding employee representatives to the pension plan's governing body
 - Calls for heightened qualifications for becoming a member of a pension plan governing body.
 - Encourages more formal delegation of duties and oversight by pension plan governing bodies

Other areas of active OECD/OCDE interest

- IASB and its impact on DB plans
- DB pension funding
- Participant financial education
- Risk management (particularly in light of the recent financial crisis)
- DC plan annuitization
- Insurance
- Longevity
- Cross-border pensions and cross-border pension investing

The bigger picture

- Why should private pension plan sponsors be interested in what the OECD does?
- How is the OECD working to assist world trade in the pension area?
- What impact can private plan sponsors have on the OECD's pension activities?

European Union

- 28 jurisdictions – 27 Member States plus EU
- Legislation:
 - Regulation: binding in all aspects for all Member States
 - Directive: binding as to the objective; translation into national legislation
 - Decisions: binding in all aspects for specific Member State

European Union and pensions

- Tax
 - Abolition of tax barriers in cross border situations
- 1997 – Green book on occupational pensions
 - Based on cross border investments by pension funds
- IORP Directive (June 2003)
 - Prudential framework
 - Framework for cross border activities of IORP's
- 2010 – Green book on occupational pensions
- EIOPA – European Insurance and Occupational Pensions Authority (“European supervisor”)



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