

COVID-19: IOPS Members supervisory responses

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International Organisation of Pension Supervisors



- 90 Members and observers in 89 jurisdictions;
- is a **standard-setting body** on pension supervisory matters and regulating issues related to pension supervision;
- promotes **international co-operation** on pension supervision and facilitating contact between pension supervisors and other relevant parties;
- provides a **worldwide forum** for policy dialogue and exchange of information on pension supervision;
- participates in the work of relevant **international bodies** in the area of pensions, including joint activities to improve statistical collection and analysis;
- promotes, conducts and facilitates the distribution and communication of **research, and collecting information** in co-operation with relevant international bodies.

Impact of COVID-19 on private pension systems

- decreased values of **pension investments** with increased liquidity and counterparty risks;
- worsened **funding positions** of DB pension schemes;
- decreased values of **DC balances**;
- worsened **liquidity positions** of pension schemes;
- risk of **locking in investment losses** by some members;
- reduced **ability** of some employers and employees to continue paying their pension contributions;
- **operational disruptions** as a result of working remotely;
- increased risk of **pension scams, frauds and cyber-attacks** for pension scheme members;
- shrinking members' **trust and confidence** in the system as a long-term retirement savings vehicle.

Summary of countries responses and measures

Supervisors

- re-defined their supervisory priorities and intensified supervisory monitoring in the key risk areas;
- coordinated efforts to provide assistance and response to the needs of trustees, employers, members/beneficiaries and service providers;
- adopted flexible, pragmatic, proportionate and risk-based supervisory approach;
- enhanced engagement, communication and monitoring;
- initialised collection of new data.

Summary of countries responses and measures

Operation and Business Continuity

- Reducing some regulatory constraints and providing relief from certain requirements for employers and providers
- More flexible deadlines or postponement of submissions of certified financial and accounting statements, actuarial reports, annual statements, etc.
- Flexible approaches in respect of breaches of administrative and legal requirements by extending reporting deadlines, allowing more time to pay contributions.
- Applying leniency for temporary/unintended breaches of investment limits (e.g. due to changes in market valuation, DE, PL, RO) or deviation from strategic investment policy (IL, NL)
- Postponing or temporarily suspending some policy and supervisory measures

Summary of countries responses and measures

Consumer protection

- Encourage pension members to visit dedicated supervisory web-sites for guidance before making any decisions about their retirement savings
- Issuing warnings and educating pension members about fraud/Covid-19 related pension scams
- Facilitating for members and beneficiaries to access pension services, information and advice remotely/on-line
- Offering information on temporary relief measures available
- Some authorities advised savers not to make any rash decisions about their retirement savings in response to the Covid-19 crisis
- Recommend to supervised entities to monitor early withdrawals of retirement savings and explain to members potential effects of such withdrawals

Summary of countries responses and measures

Communication

- On the measures taken by supervisory authorities and supervisory expectations
- On pension issues arising from the Covid-19 crisis including decision options available to members:
 - delay/reduction/postponement of pension contributions
 - postponement of retirement
 - emergency access to retirement savings
 - eligible conditions, benefits and application procedures for those measures
 - potential consequences of such decisions

Summary of countries responses and measures

Requirement for supervised entities

- Continue to strictly comply with the regulations, beyond these temporary/exceptional measures
- Ensure their business continuity and provision of services through the use of electronic channels to avoid personal contacts
- Engage with relevant stakeholders on major issues, seek appropriate professional advice, be proactive and consumer focused
- Report to the supervisory authority on contingency plans and other measures taken to ensure business continuity, and proper functioning of IT systems

Summary of countries responses and measures

Requirement for supervised entities (cont.)

- Assess the impact on their operations due to the Covid-19 pandemic, and communicate in a timely manner with pension funds/schemes members
- Have in place proper mechanisms in response to extreme market situations and monitor their operations
- Disclose contingency plans online to inform members and beneficiaries of all the measures taken
- (employers) Have clear procedures for payment of members' contributions, remittance on individual accounts; transfer of funds in due time, payment of pension benefits

Summary of countries responses and measures

Facilitate the implementation of policies aimed at combatting the crisis and monitor the market situation

A number of jurisdictions allowed

- temporarily deferral (BE, FI, FR, DE, IL,NL, SK),
- reduction (CA, CO, FI, KE), or
- suspension of payment of pension contributions (LT, UK, ZW),
- early withdrawals from the pension schemes (AU, CL, PE, US)
- or taking loans from pension plans (IL, US).

IOPS Statement on Covid-19 supervisory measures

- In its statement of 26 May 2020 (www.iopsweb.org) IOPS
 - supports **early and clear communication and guidance** by supervisors and providers to respective stakeholders on major risks and changes arising from Covid-19;
 - acknowledges the relevance of **regulatory flexibility** (solvency, investments, reporting, operations, compliance, etc.) to maintain business continuity;
 - recognises in specific cases the need for measures that **ease requirements for temporary access** to pension accounts to address financial hardship;
 - emphasizes that such measures should be **limited, temporary, proportional** and withdrawn in considered manner;
 - notes the need to focus on **long-term interests** of pension members and beneficiaries and **delivery of strong retirement outcomes**.

IOPS Statement on Covid-19 supervisory measures

- IOPS emphasises the importance of
 - **requiring** that supervised entities **prudently address risks** emerging from the COVID-19 crisis, including implementation of contingency plans, and taking steps to mitigate losses for beneficiaries;
 - **preserving strong supervision** and continuous close monitoring of actions undertaken by supervised entities;
 - **considering countercyclical policies** with the objective of contributing to the stabilisation and recovery of economies;
 - **coordinating** private and public pension policies;
 - putting in place **appropriate protection mechanisms** against financial consumer abuses and cyber risks and strengthening **financial education** amongst members and beneficiaries.

Conclusions

- Supervisors continue monitoring the situation and are ready to take further actions as required.
- Tensions between short-term and long-term measures. Conclusions for social policy and labour market (what role of supervisors?)
- Need to update Risk-Based-Supervision to the new reality (IOPS project)
- Increased reliance on **digital technologies** during the COVID outbreak (industry, members and supervisors); remote and online services need to be reinforced and maintained – cybersecurity (IOPS project)
- There should be some reflection on **exit strategies**
 - from supervisory actions (e.g. leniency on funding positions or investment policies);
 - from policy actions (e.g. pension contributions holidays, early access to pension savings).
- Importance of close **co-operation** between regulators, supervisors and different stakeholders at national and international level to share the experiences, better understand and respond to the current challenges