

"HOW CAN AUSTRALIA'S SUPERANNUATION SYSTEM BE IMPROVED"

1. THE INTERNATIONAL FRAMEWORK FOR PENSION SYSTEM DESIGN AND SUPERVISION
2. ASSESSMENT FRAMEWORKS
3. CHALLENGES FOR POLICY MAKERS

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THE INTERNATIONAL FRAMEWORK FOR PENSION SYSTEM DESIGN AND SUPERVISION

1. World Bank Multi Pillar Framework

- ▶ Averting the Old Age Crisis (1994)
- ▶ The 2007/2008 review of Principles
 - Zero Pillar – non-contributory basic benefits financed by the state, fiscal conditions permitting
 - First Pillar – mandatory with contributions linked to earnings and objective of replacing some portion of lifetime pre-retirement income.
 - Second Pillar – mandatory, DC, privately managed
 - Third Pillar - voluntary taking many forms (e.g. individual savings; employer sponsored; defined benefit or defined contribution)
 - Fourth (Supplementary) Pillar - informal support (such as family), social programs (such as health care or housing), and other individual assets (such as home ownership and reverse mortgages)

THE INTERNATIONAL FRAMEWORK FOR PENSION SYSTEM DESIGN AND SUPERVISION

2. OECD Core Principles of Private Pension Regulation (2009/16)

1. Conditions for effective regulation
 2. Establishment of pension plans, pension funds, and pension entities
 3. Governance
 4. Investment and risk management
 5. Plan design, pension benefits, disclosure and redress
 6. Supervision
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THE INTERNATIONAL FRAMEWORK FOR PENSION SYSTEM DESIGN AND SUPERVISION

OECD Principles specific to occupational plans

7. Occupational pension plan liabilities, funding rules, winding up and insurance
 8. Access, vesting, and portability of occupational pension plans
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THE INTERNATIONAL FRAMEWORK FOR PENSION SYSTEM DESIGN AND SUPERVISION

Principles specific to personal pension plans

9. Funding of personal pension plans, wind-up and insolvency
 10. Equal treatment, business conduct, competition and portability of personal pension plans
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THE INTERNATIONAL FRAMEWORK FOR PENSION SYSTEM DESIGN AND SUPERVISION

3. OECD Roadmap for the Good Design of DC Pension Plans (2012)

1. Coherence – accumulation, payout, and overall pension system
 2. Encouraging enrolment and long-term contribution
 3. Improve incentives to contribution
 4. Promote low-cost savings instruments
 5. Establish appropriate defaults
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THE INTERNATIONAL FRAMEWORK FOR PENSION SYSTEM DESIGN AND SUPERVISION

3. OECD Roadmap for the Good Design of DC Pension Plans (2012)

6. Consider default life-cycle investment strategies
 7. Encourage annuities
 8. Promote supply of annuities
 9. Develop appropriate information and risk hedging instruments
 10. Ensure effective communication to address financial literacy
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THE INTERNATIONAL FRAMEWORK FOR PENSION SYSTEM DESIGN AND SUPERVISION

4. IOPS Principles of Private Pension Supervision (2006/10)

1. National laws should assign clear and explicit objectives to pension supervisory authorities
 2. Pension supervisory authorities should have operational independence
 3. Pension supervisory authorities require adequate financial, human and other resources
 4. Pension supervisory authorities should be endowed with the necessary investigatory and enforcement powers to fulfill their functions and achieve their objectives
 5. Pension supervisory authorities should adopt a risk-based approach
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THE INTERNATIONAL FRAMEWORK FOR PENSION SYSTEM DESIGN AND SUPERVISION

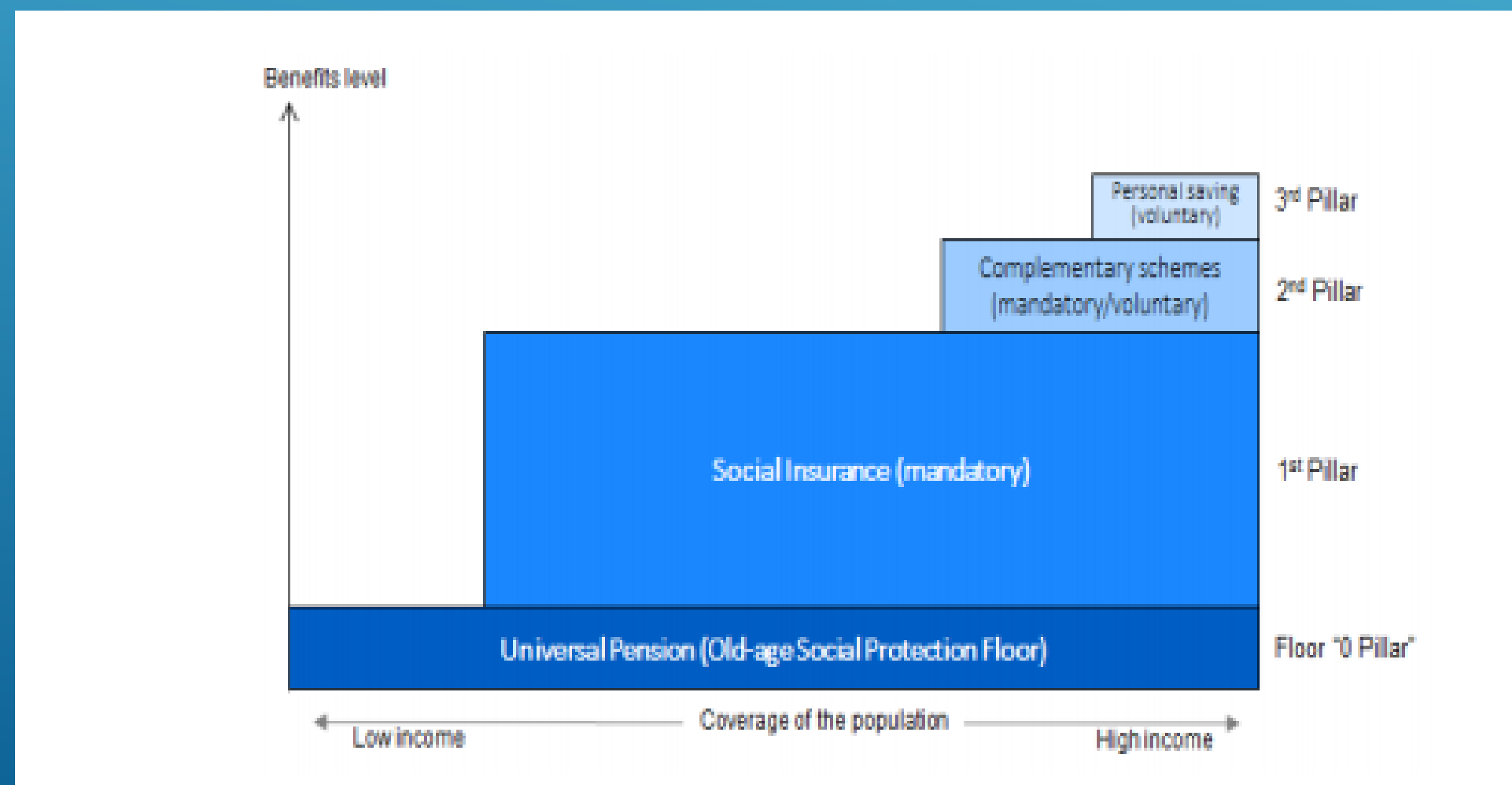
4. IOPS Principles of Private Pension Supervision (2006/10)

6. Pension supervisory authorities should ensure that investigatory and enforcement requirements are proportional to the risks being mitigated and that their actions are consistent
7. Pension supervisory authorities should consult with the bodies they are overseeing and cooperate with other supervisory authorities domestically and internationally
8. Pension supervisory authorities should treat confidential information appropriately
9. Pension supervisory authorities should conduct their operations in a transparent manner
10. The supervisory authority should adhere to its own good governance practices – including governance codes, internal risk-management systems and performance measurement - and should be accountable


THE INTERNATIONAL FRAMEWORK FOR PENSION SYSTEM DESIGN AND SUPERVISION

5. International Labour Office Multi Pillar Framework (2012)

Multi Pillar Framework similar to World Bank but with different emphasis



ASSESSMENT FRAMEWORKS

1. Financial System Assessment Program (World Bank /IMF)
 2. Assessment programs by the OECD WPPP
 3. Country assessments by IOPS
 4. Private assessment such as the Mercer Global Pension Index
 5. Many academic studies
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CHALLENGES FOR POLICY MAKERS


1. Policy-makers face conflicts of policy priorities

Retirement Savings Policy vs

- Revenue/Taxation Policy
- Labour Policy
- Competition Policy
- Market Development needs
- Financial services policy

CHALLENGES FOR POLICY MAKERS

2. Policy-makers face conflicts of policy priorities within retirement savings policy

- Government programs v private savings
 - Government welfare v government savings systems
 - Private mandatory v voluntary
 - Voluntary pension savings v other private savings
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CHALLENGES FOR POLICY MAKERS

3. Short term politics can interfere with long-term policy settings
 - ▶ The politicization of sectoral interests = loss of bipartisan support
 - ▶ The need to “tinker”
 - ▶ The need to offer “something new”
 - ▶ The need to respond to public dissatisfaction
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CHALLENGES FOR POLICY MAKERS

4. The need for “all of government” policy coordination and control
 - Challenging as retirement savings crosses many policy areas
 - The need for central policy setting
 - Co-ordination (vs control) possible but very difficult to do well
 - Government commitment to a long-term set of principles is a start
 - Supervisors need to actively contribute to policy development
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