

Going Global

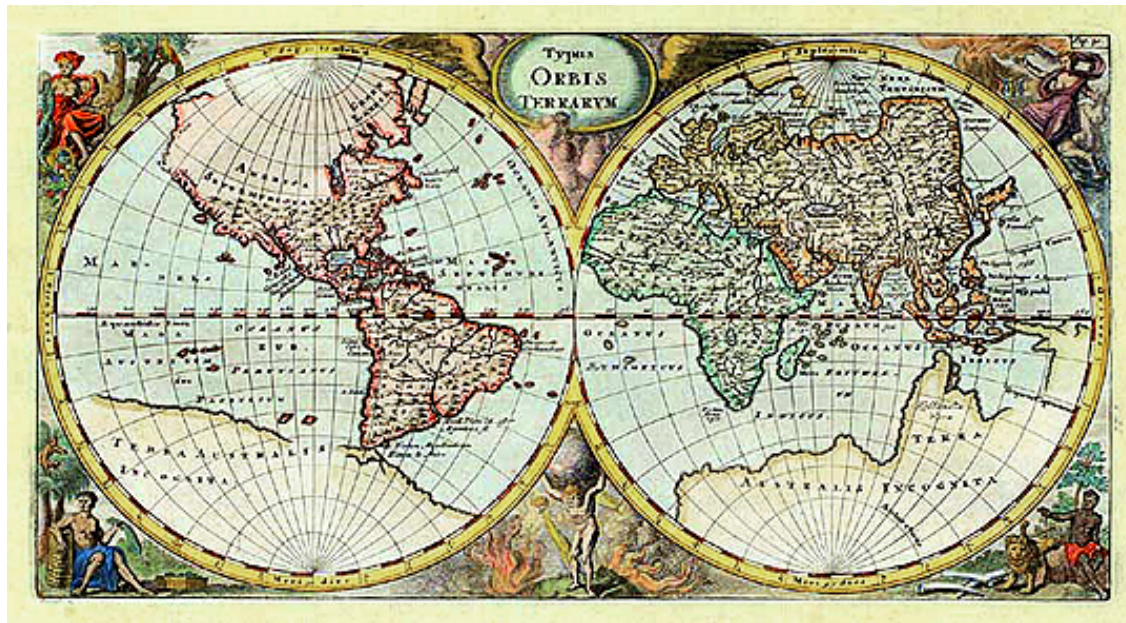
Expanding our Consortium

10 June 2011
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Common issues in the four corners of the world

Adequacy

Solvency



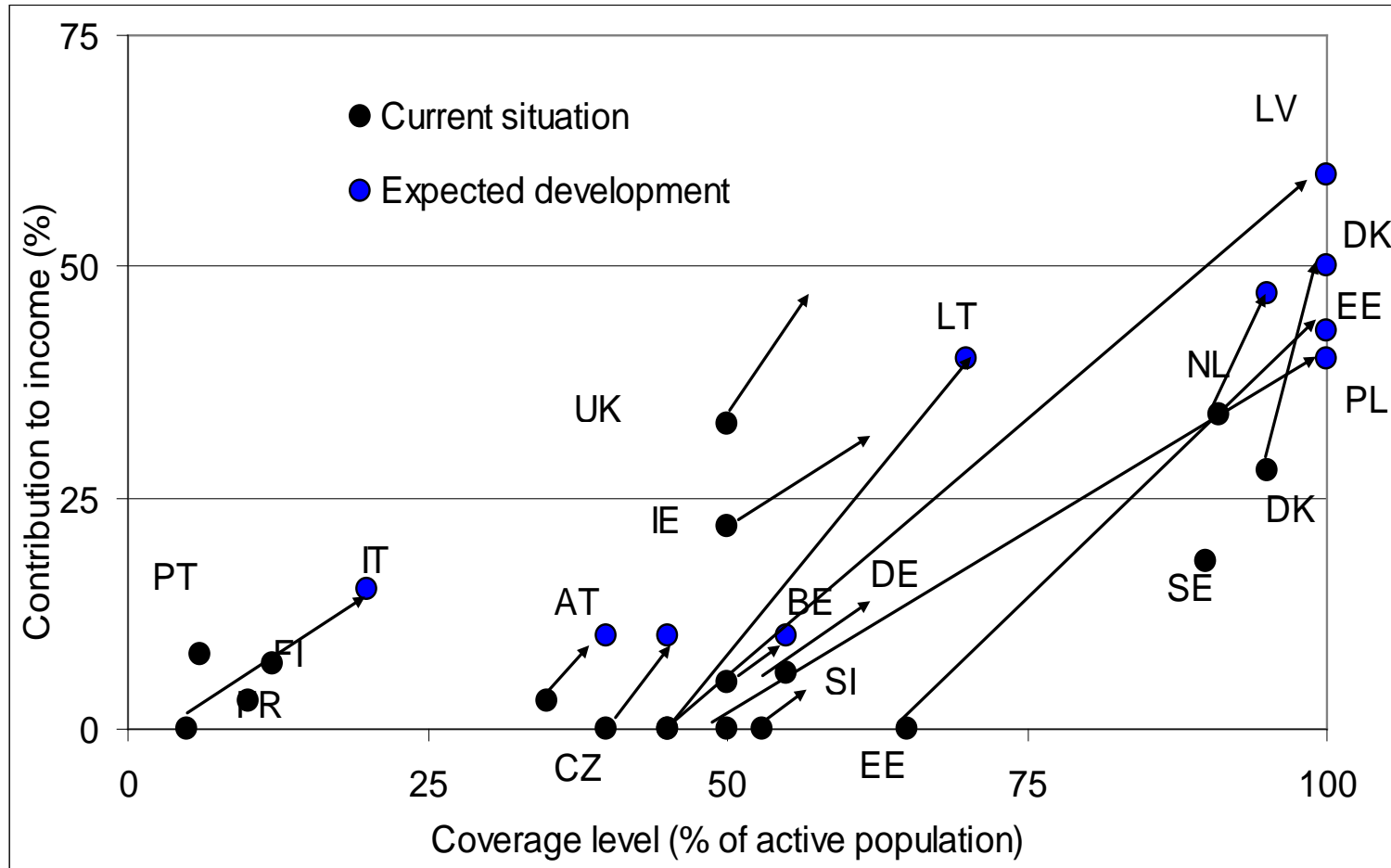
Sustainability

Governance

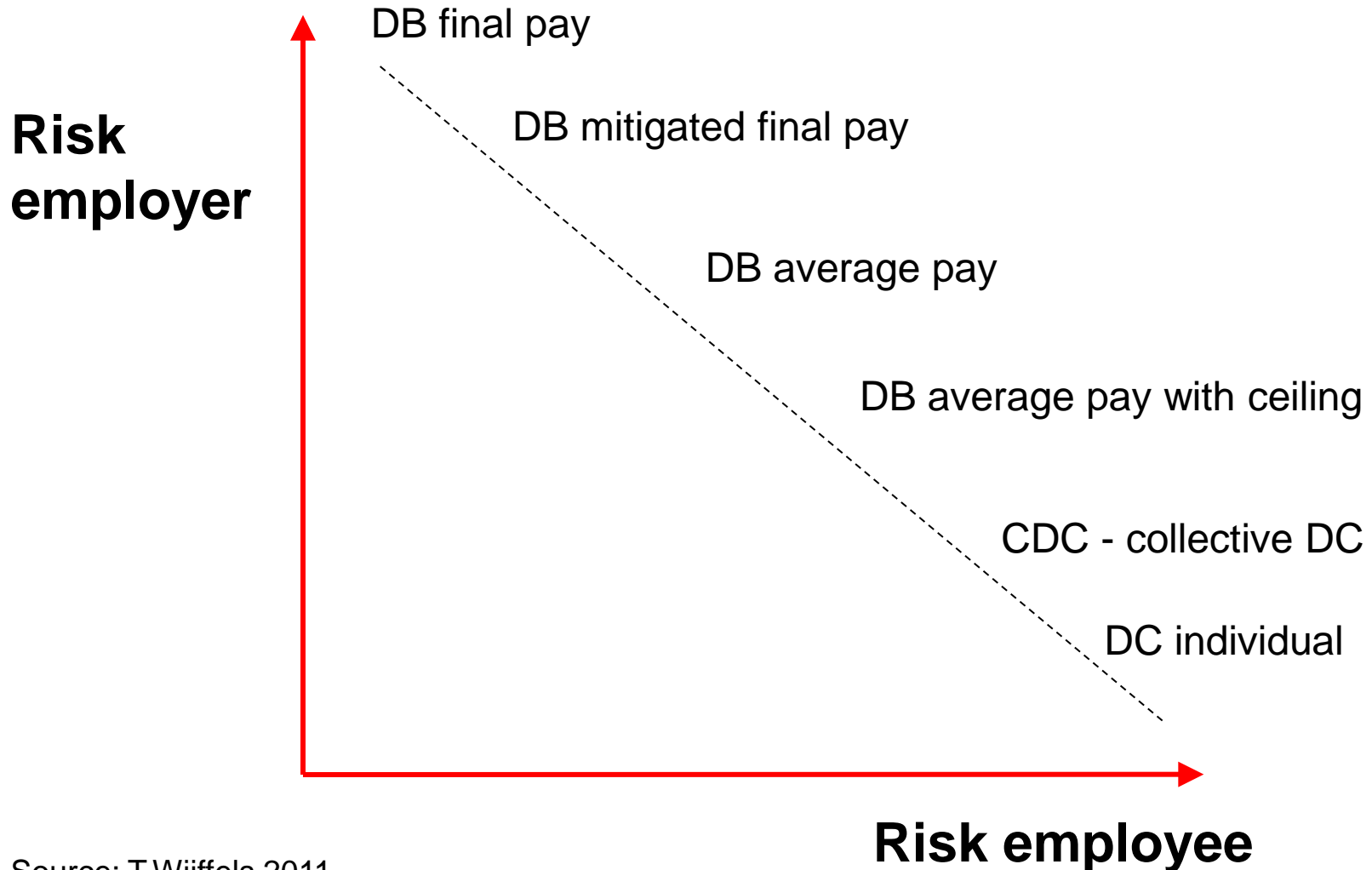
Adequacy is in question

- Replacement levels will deteriorate
 - Many still rely on public and inadequately funded pensions
- Need for supplementary pensions will grow
 - Occupational as well as voluntary
- Costs are essential in providing good pensions
 - Occupational pensions are cost effective

The role of supplementary pensions is expected to grow



Global trend to shift the risks to the employees



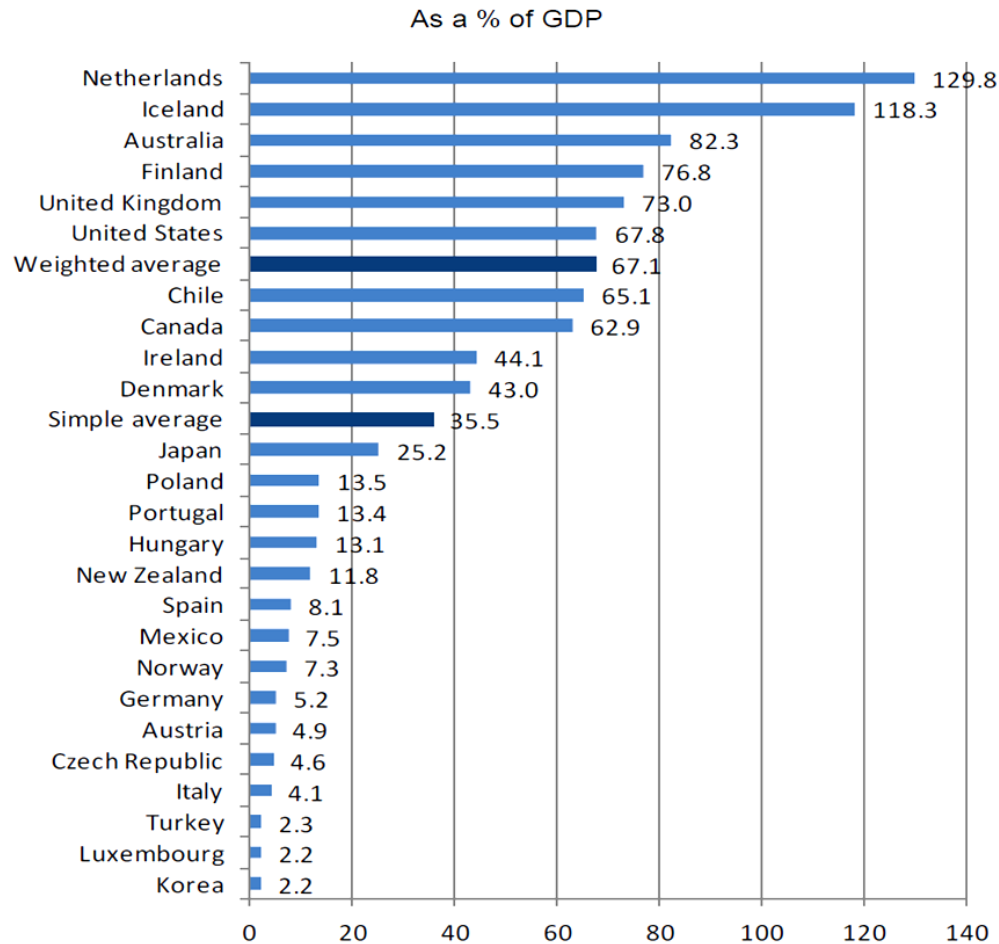
Source: T.Wijffels 2011

Sustainability

- Public finances are under great and increasing pressure from pension systems
- Funding is inadequate in relation to the challenges
- Influx of new regulation
 - Does it improve safety?
 - How much will all this cost and who will suffer?
 - Financial market regulation is a key issue

Many have not funded much

Pension funds/GDP



Source: OECD Global Pension Statistics.

Projected growth in retirement assets

Big and getting bigger – Retirement Assets till 2020

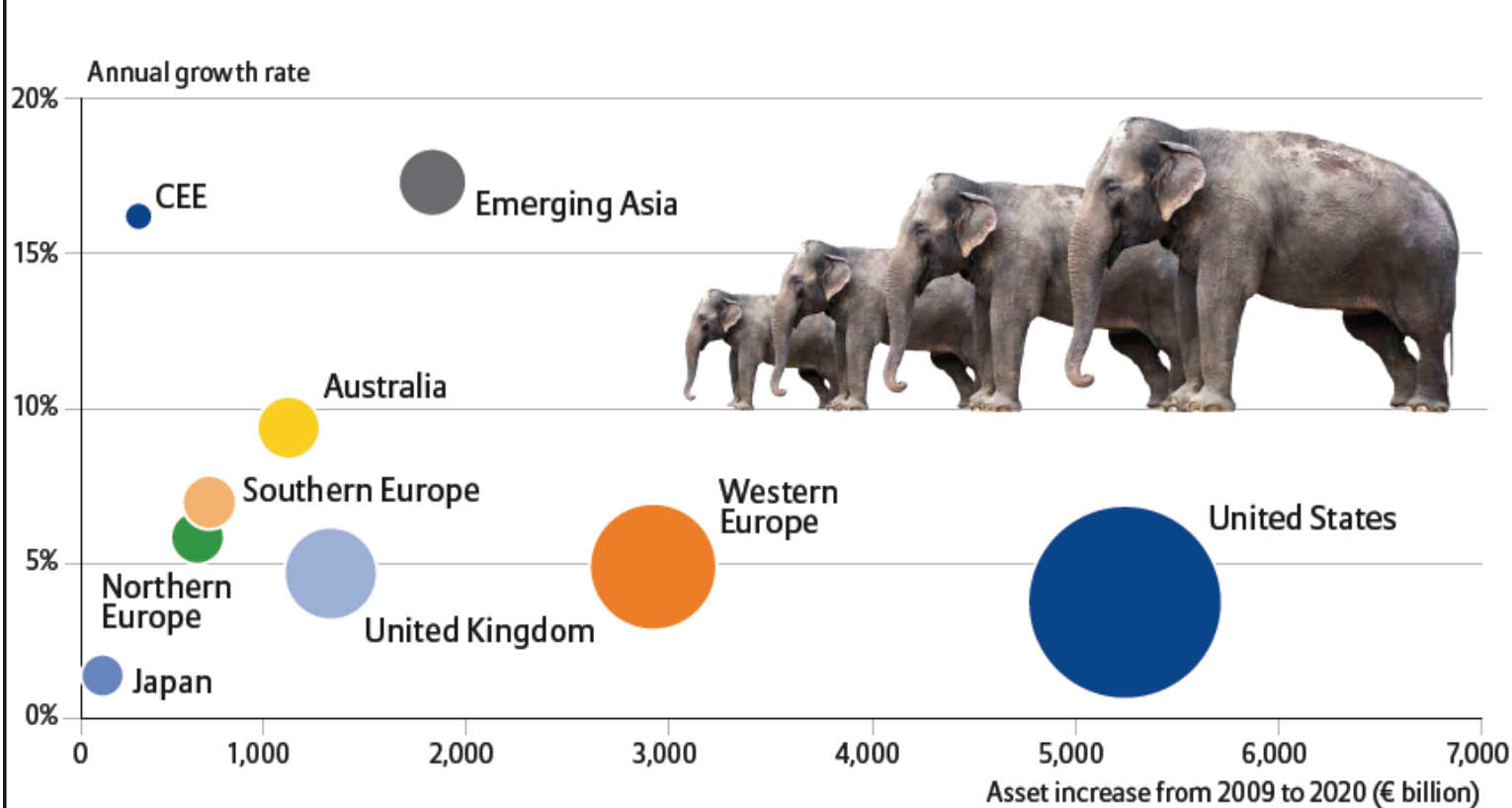


Image © Klar, 2010 / shutterstock.de

Source: Allianz, International Pensions

The size of the bubbles reflects the estimated asset volume in 2020

Solvency

- Pension funds are not insurance companies
- Better understanding of liabilities is essential
 - Otherwise employers can not afford to have pension funds
- Role of the international accounting standards is important
 - Is mark to market the end for DB? Does it have to be?

Governance

- Good pension and health fund governance – nothing less
 - Security and profitability
- Board member qualifications and training
 - Challenge for occupational pension funds
- Understanding our role in the society
 - Social responsibility
 - Active ownership

Setting the agenda has changed

- The role of G 20 has been crucial since the crisis began
 - E.g. EU Commission's Work Programme Includes as strategic goals reforms agreed on G 20 level.
- Other international bodies have influence as well
 - Financial Stability Board, Basel Committee on Banking Supervision, IMF, ECB, etc.
- USA has moved faster than Europe
 - Dodd-Frank Wall Street Reform and Consumer Protection Act was passed by Congress in July 2010



Implementing the G20 agenda – US and EU in comparison¹⁶

G20 commitment	EU legislation	US legislation	
	Measure	Adoption	
Macroprudential risks and financial oversight	– COM(2009) 499 – European Systemic Risk Board	2010	Title I
	– COM(2009) 501 – European Banking Authority	2010	Title III
	– COM(2009) 502 – European Insurance and Occupational Pensions Authority	2010	
	– COM(2009) 503 – European Securities and Markets Authority	2010	
	– COM(2009) 576 – Omnibus Directive	2010	
Basel capital framework	– <i>CRD II – Liquidity buffers</i>	2009	Title VI
	– <i>CRD III – Trading book and securitisation</i>	2010	
	– CRD IV – Bank capital, leverage ratio, liquidity buffers, counter-cyclicality	End-2010	
Accounting standards	– <i>IAS Regulation 1126/2008 – Adoption of International Accounting Standards</i>	2008	Title VI
	– Endorsement of IASB Standards	Ongoing	
Compensation	– <i>Recommendations on remuneration of Directors and financial services – sound principles</i>	2009	Title VI
	– CRD III	2009	
	– AIFM	End-2010	
	– Solvency II, Level 2	2011	
	– Un-specified measures on non-banking financial services	2011	
Bank risk management and internal controls	– <i>CRD II – liquidity risk, large exposures</i>	2009	Title VI
	– <i>CRD III – securitisation, due diligence, retention</i>	2010	
	– CRD IV – counterparty risk	End-2010	
Insurance	– Level 2 – governance, internal control, risk management	2011	Title V
Corporate governance	– Green paper	2010	
OTC derivatives	– EMIR – mandatory clearing	2011	Title VIII
	– CRD IV – capital requirements from non-CCP transactions	End-2010	
	– MiFID review	2011	
	– MAD review	End-2010	
Bank resolution	– Unspecified measure based on forthcoming FSB recommendations	2011	Title II
Deposit insurance	– <i>Immediate changes to Deposit Guarantee Directive 94/19/EC</i>	2009	Title VI
	– Overhaul of Deposit Guarantee Directive 94/19/EC	2011-2012	Title VII
	– Overhaul of Investor Compensation Scheme Directive (97/9/EC)	2011-2012	Title IX
	– White Paper on Insurance Guarantee Schemes	2011-2012	Title XII Title XIV
HF, PE	– AIFM	2011	Title IV
Credit rating agencies	– <i>CRA Regulation 1060/2009</i>	2009	Title IX
	– Amendment of CRA Regulation	2011	

Source: DB Research

Action needed

- In Europe stronger new EU economic policy (European semester and Euro+) will affect pensions
 - Occupational plans are the solution to many problems
- Maybe also In USA and Canada ?
- Financial market regulations very important for financing good benefits
 - We have to effectively lobby also G20, IASB, FSB and others who set the agenda and the rules
- OECD is important in developing reforms
 - Assignments from G20 and FSB
- ILO
- Can we co-operate with Australians, Japanese and others?
Emerging economies?
 - Do we have the resources?
 - Maybe first in international organisations (OECD, ILO)?