

Monitoring and Documenting the Results of Periodic Reviews of Pension Plans



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AGENDA

- Objectives of Pension Supervisors
- Tools used by the Supervisor to Monitor Plans
- Heat Map: Plan/Industry
- Key Performance Indicators (Industry/Supervisor)
- Highlights
- Case study
- Key Performance Indicators: Document Template

Objectives of Pension Supervisors

Protect the interest of
beneficiaries of
pension plans

Promote the stability,
security and good
governance of the
pension
industry/financial
sector



PLAN LEVEL MONITORING

Tools used by the Supervisor to Monitor Plans

Plan Level Oversight

Offsite examinations: assessment of reports submitted by plans

Onsite examinations: assessment of plan's operational environment; via observations, checks, interviews, questionnaires

Risk management Strategies: e.g. Stress testing (Plan level), risk based framework

Tools used by the Supervisor to Monitor Plans

Financial Soundness Indicators

Liquid assets to estimated pension payment in the next year

Promotes proper cash management

Promotes maintaining accurate member data and categories

Return on assets

DC plans (how well assets are invested to provide interest on members' accounts)

DB plans (minimize employer risk exposure)

Outstanding contributions

Number of days outstanding should be captured

Will affect the return on assets and overall Plan performance

Tools used by the Supervisor to Monitor Plans

Financial
Soundness
Indicators

Payout

Monitor benefit
payouts/Liquidity

Operating
Expenses

Monitor to
minimize. Will
affect asset yield

Tools used by the Supervisor to Monitor Plans

Document for Follow up Action:

- Risk categories/scores
- Financial ratios
- Note deadline given for compliance
- Note any agreed timelines made with Trustees where necessary
- Note areas for follow up in subsequent reviews eg investments in breach of the legislation
- Follow up during onsite examinations to confirm operational improvements or request confirmation from the trustees or agents



INDUSTRY LEVEL MONITORING

Tools used by the Supervisor to Monitor Industry

- Ratios (Trend analysis)
 - Ratio of pension assets to GDP
 - # of members as a % of the employed labour force
 - Allocation of investments
 - DB/DC split
 - Plan real rate of return to market comparison
- Stress testing: collate results of individual stress testing
- Risk scores: Heat Map (key risk areas)

Tools used by the Supervisor to Monitor Industry

Extract of Selected Countries: Pension Assets as a percentage of GDP

Caribbean & the Americas	2016 (%)	Selected countries	2016 (%)
Chile	69.6	Australia	123.9
Costa Rica	17.6	Canada	159.2
Dominica Republic	12	Denmark	209.0
Guyana	6.6	France	9.8
Jamaica	25.8	Germany	6.8
Mexico	16.7	Italy	9.4
Peru	21	Netherlands	180.3
Trinidad & Tobago* (2012)	19.7	United Kingdom	95.3
		United States	134.9

Source: Pension Markets in Focus-2017

Heat Map-(Consolidated risk report)

Pension Plans (Risk scores)	Information to Participants	Registration	Ongoing Reporting	Funding risk	Governance	Complaints
Plan_1	Green	Green	Green	Red	Yellow	Yellow
Plan_2	Green	Green	Green	Red	Yellow	Yellow
Plan_3	Green	Green	Green	Red	Yellow	Yellow
Plan_4	Yellow	Green	Yellow	Yellow	Yellow	Yellow
Plan_5	Green	Green	Green	Green	Yellow	Green
Plan_6	Green	Green	Green	Red	Yellow	Yellow
Plan_7	Green	Green	Green	Red	Yellow	Yellow
Plan_8	Green	Green	Green	Red	Yellow	Yellow
Plan_9	Yellow	Green	Green	Yellow	Yellow	Yellow
Plan_10	Green	Green	Green	Yellow	Yellow	Yellow
Plan_11	Green	Green	Green	Red	Yellow	Yellow
Plan_12	Green	Green	Yellow	Red	Yellow	Green
Plan_13	Green	Green	Green	Red	Yellow	Yellow
Plan_14	Green	Green	Green	Red	Yellow	Yellow



KEY PERFORMANCE INDICATORS

Key Performance Indicators (KPIs) (Industry/Supervisor)

What are KPIs?

- Measures the Supervisor's performance against set targets



Other Influences

- Pension Industry performance will impact the Supervisor's performance

Key Performance Indicators (KPIs)

Linked to Broad Objectives

Indicator	Objectives	Measure	Source
Retirement income: Increase in receipt of pension by eligible pensioners in private pension plans	<p>To protect the interest of beneficiaries of pension plans</p> <p>Promote stability, security and good governance</p>	<ul style="list-style-type: none"> • The enactment of relevant legislation such as vesting • The proportion of total retirement income from private pension plans • Reduction or no complaints from pensioners • Other such as the impact of intervention activities, relevant legislation and policies (see below) • The proportion of registered plans 	Statistics on total pension income

Key Performance Indicators (KPIs)

Linked to Broad Objectives

Indicator	Objectives	Measure	Source
Pension Coverage: Increase in the number of persons who participate in private pension plans	To increase pension coverage in private pension plans	The number of members of private pension plans as a percentage of the employed labour force	Employed labour force statistics
Improved industry performance	All Objectives	<ul style="list-style-type: none">• Enactment of relevant legislation• Increased disclosure to members• Less complaints from members	Reports received Complaints register

Key Performance Indicators (KPIs) (Industry/Supervisor)

Indicator	Objectives	Measure	Source
Governance: Improved Trustees' knowledge and understanding of pension management	All Objectives	<ul style="list-style-type: none"> • Timeliness and quality of statutory reports received • Reduced intervention by the Supervisor • Compliance with the legislation 	Statutory reports, onsite visits
Compliance with International standards	All Objectives	The internal assessments of the Supervisor's framework is compliant with international standards.	Financial Stability Assessment Program (FSAP) IOPS principles of pension supervision

Key Performance Indicators (KPIs) (Industry/Supervisor)

- Specific Key performance Indicators

Priority	Key Performance Indicators	Target	Source
Review statutory reports and other information more efficiently	The proportion of plans with a low or moderate risk rating	80%	Internal Risk Assessments
	The percentage of risk score rating increases, one or more levels	15%	Internal Risk Assessments
	The proportion of correspondence highlighting deficiencies and recommendations submitted to Trustees	40%	Internal Risk Assessments

Key Performance Indicators (KPIs) (Industry/Supervisor)

- Specific Key performance Indicators

Priority	Key Performance Indicators	Target	Source
Increased Proactive Regulatory Response	The proportion of onsite examinations done where needed	90%	Internal Risk Assessments
	Regular meetings with Trustees and agents of high risk plans where applicable to implement plan of actions	100%	Internal Risk Assessments
	The number of public education initiatives carried out <ul style="list-style-type: none"> Seminars Guidelines 	4 per year	Internal statistics of events Increases in visits to the website

Key Performance Indicators (KPIs) (Industry/Supervisor)

- Specific Key performance Indicators

Priority	Key Performance Indicators	Target	Source
Stimulate improvement in governance of Trustees and agents	<ul style="list-style-type: none"> • Reports submitted on time and in compliance with the regulations • Risks identified in plans or agents place of business and procedures in place to address them • Trustees and agents are clear on their roles and responsibilities <ul style="list-style-type: none"> ○ Benefit calculation errors minimized ○ Less or no member complaints 	90%	Records/date of statutory submissions

HIGHLIGHTS

- Monitoring of the pension industry is essential to achieving the Supervisor's objectives
- Adopt efficient and effective methods of assessing plans
- Supervisory methods should be proactive and address risks to the industry
- Utilize various methods (ratios, heat map, KPIs) to monitor the industry and the performance of the Supervisor
- Highlights



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Thank you!
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DOCUMENT TEMPLATE & CASE STUDY