

### Session 3: Fees and value for money in private pension systems

*The speakers will discuss how pension regulators and supervisors as well as other pension stakeholders contribute to bringing the member-borne costs down. This will cover both efforts to reduce costs related to the investment process or in general in relation to the administration and operation of pension funds. Efforts to reduce costs for beneficiaries in the decumulation phase will be addressed. The session will also focus on the concept of value for money and the way stakeholders should implement it in their pension schemes.*

Importance of the topic now and what is it intended to accomplish within the panel.

**Moderator:** Mr Carlos Ramirez Fuentes, IOPS President, President, National Commission of the Retirement Savings System (CONSAR), Mexico

**Speakers:**

- Dr Pablo Antolin, Principal Economist, Head of Private Pensions Unit, OECD
- Ms Angela Mazerolle, Superintendent of Pensions, Financial and Consumer Services Commission, Chair, Canadian Association of Pension Supervisory Authorities (CAPSA)
- Mr Joseph Lee, Head of Trustee Supervision, and Mr Edwin Lee, Chief Manager, Research and Statistics, Mandatory Provident Fund Scheme Authority, Hong Kong, China
- Mr Marius du Toit, Chief Actuary, the Financial Services Board, South Africa

**Time allocation:**

- moderator (Carlos) up to 10 minutes for his interventions/comments
- each of the speakers (Pablo, Angela, Joseph & Edwin, Marius) has up to 15 minutes for their presentations.

30 minutes for the Q&A session, led by the moderator.

**Objective.** With all the work done on costs and charges in private pensions, one of the conclusions we arrived as IOPS is that policy measures must also address value for money rather than costs alone. Our objective with our time today is to share some of the thinking about how pension regulators and supervisors can contribute to bringing the member-borne costs down. The session will also focus on value for money and the way the stakeholders can implement it in their pension schemes.

**Speakers:**

**Dr. Pablo Antolin**, Principal Economist, Head of Private Pensions Unit, OECD

- Has advocated for a "comprehensive reform" that complements the current pay-as-you-go system in Spain.
- Recently warned that pension reforms championed by George Osborne in UK could lead to some people outliving their savings. "there will be people who are not covered against longevity risk"

**Ms Angela Mazerolle**, Superintendent of Pensions, Financial and Consumer Services Commission, Chair, Canadian Association of Pension Supervisory Authorities (CAPSA)

- Leads a team of seven individuals who are responsible for the regulation of private-sector pension plans in New Brunswick.
- She is responsible for the enforcement of standards prescribed under the Pension Benefits Act and for the investigation of alleged violations.
- She played a key role in the development and legislative implementation of New Brunswick's shared risk pension plan model.

**Mr Joseph Lee**, Head of Trustee Supervision, Mandatory Provident Fund Scheme Authority, Hong Kong, China and **Mr Edwin Lee**, Chief Manager, Research and Statistics, Mandatory Provident Fund Scheme Authority, Hong Kong, China

- Helped launching the Default Investment Strategy, one of the most significant reforms to improve the MPF System on April 2017.
- It aims to balance the risks and long-term returns of pensions as well as the control of management fees.

- A key objective of the DIS is to provide scheme members who are not interested in managing their MPF with an investment strategy that is suitable for long-term retirement investment.
- The DIS is managed by two funds, implying a mixed strategy, which aims to reduce the risk of investment.
- It tries to provide savers with information about the operation of the investment strategy through simple and intuitive language.

**Mr Marius du Toit**, Chief Actuary, the Financial Services Board, South Africa

- The board is responsible for monitoring standards of corporate governance.
- The board is committed to governance processes that assure stakeholders that the FSB's operations are conducted ethically, within prudent risk parameters and in pursuit of best practices.

#### **Suggested questions:**

**Dr. Pablo Antolin**

- Among the various policies that have been implemented in different countries, which have being the most successful ones to reduce administration costs?
- How do you suggest that the different types of fees/commissions (fixed rate, proportion of contributions, proportion of assets, performance, etc.) should be adopted in each country?
- Which type of commission is the one that works best in defined benefit schemes? and in defined contribution?
- How can the regulator encourage more involvement from the savers in order to foster competition in pension fund providers?
- Do you consider that the regulator of the pension systems should make mandatory the publication of their cost structure? How should indirect investment costs be made transparent?
- Do you consider that pension system regulators should establish a price cap?
- Can you name some of the most innovative policies adopted in terms of reducing fees?

**Ms Angela Mazerolle**

- How does Canada address the “value for money” approach? Can you provide an example?
- Are investment costs reported with information on the risk and performance of the investment portfolio in Canada?
- What other measures has Canada taken to make indirect investment costs more transparent?
- Are fees being reduced as technology in the sector increases? Can you provide an example?

**Mr Joseph Lee and Mr Edwin Lee**

- What are the main challenges that Hong Kong faces to demonstrate that suppliers deliver a reasonable value for money?
- Can you provide further evidence regarding the simplification of the information provided to savers regarding the operation of the investment strategies?
- Can you explain how the fee caps of the DIS will set a benchmark for other funds and increase competition?
- Has Hong Kong established benchmarks as a tool to compare different suppliers?
- What measures has HK taken in order to make indirect costs of investment more transparent?

**Mr Marius du Toit**

- Is it possible to compare the different asset classes within the portfolios and the price-quality ratio of each pension fund provider?
- What price regulation measures have been adopted in South Africa?
- How is technology affecting the fees charged?
- What are some remaining challenges for South Africa in terms of transparency and addressing the “value for money”?
- How the pension supervisor chose the fee structure for the default investment portfolio?
- How has the authority dealt with corrupt behavior?