



# INTERNATIONAL PENSION NEWSLETTER



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## INTERNATIONAL TRENDS: ANTI-FRAUD MEASURES, BETTER OVERSIGHT AND TRANSPARENCY

Better transparency and control over funds have become the buzzword since the Madoff fraud scheme cost investors including those managing pension money, billions of dollars, bringing a criminal twist to the market crisis. We take a look at regulatory weaknesses that have come to light in the aftermath of these fraud scandals and at some of the measures different countries are proposing in order to improve legislation and regulatory oversight affecting pension asset management.

### **United States: New SEC Oversight Rules Under Debate**

The financial crisis and a series of scandals involving the securities business have spurred debates over how to improve oversight by the Securities and Exchange Commission into markets and players.

In response to Madoff's arrest, a number of lawmakers on the Senate Banking Committee said they will examine whether legislation is needed to reform the way the SEC inspects investment fund managers, the way "fund accounting firms are regulated", and "whether agency commissioners should be prohibited from immediately taking jobs in the financial services industry when they finish their stint at the commission". A number of lawmakers also said they would like to see more resources allocated to the SEC to identify fraud cases similar to the Madoff one and that the agency should look into ways of improving its risk-assessment approach when looking at funds. The SEC has set up a task force to look at how it reviews tips and concerns about funds.

The SEC also plans to "do more" to tighten oversight of the credit-rating industry, represented by firms like Moody's, Standard&Poor's, and Fitch Ratings. Grades they give companies not only play an essential role in determining how much money companies can raise and borrow, they also help determine the price of securities bought by banks, pension funds etc.... New measures would add to those already adopted last December designed to limit conflict of interest and increase transparency of credit rating agencies.

A third aspect of improved oversight addresses concerns over hidden kickback practices involving pension fund management



companies and elected officials following investigations into the U.S. pension fund management company Quadrangle for charging high fees that were then used in part as political donations to the campaign of a the local financial comptroller who has oversight responsibilities in the industry. The SEC announced it would consider reviewing a 1999 proposal (that had not been adopted at the time) barring investment advisers from managing pension money for two years after making a political contribution. (Bloomberg, New York Times, Reuters, Market watch)

### **United States: Public Funds Lay Out New Financial Regulations Proposal**

Major public pension funds with over US\$900bn of assets have teamed up to set out new financial regulation principles to restore trust and confidence in global markets. According to a press-release published last month on the website of California Public Employees' Retirement System (CALPERS), one of the largest public funds, the group lays out five principles it says need to be implemented to rebuild global markets. The principles are: greater disclosure and transparency; true regulatory independence; increased shareowner voice in the capital markets; earlier identification of issues which give rise to global market risk by regulators; and the preservation of institutional investors' freedoms to invest in the full range of investment opportunities. The group said increased transparency was of "paramount importance" and also said the re-establishment of the SEC as a voice for and protector of investors was "overdue and critical". The group also calls for creation of an independent entity to oversee mitigation of systematic risk in the financial markets which should have funding autonomy and enforceable data collection powers.

### **Romania: World Bank Says Better Regulation To Boost Independence of Pension Regulator**

World Bank Director for Romania Benoit Blarel and Director for Central Europe and the Baltics Orsalia Kalantzopoulos discussed recommendations with the Romanian authorities on "harmonisation of the existing regulatory and supervisory framework" with European Union requirements in order to achieve a "better regulation of the financial sector", in line with conclusions drawn by the G20 summit. The World Bank's recommendations are "aimed at strengthening the independence from the political factor" of the country's regulators including the pension regulator: the National Securities Commission, the Insurance Surveillance Commission and the Supervisory Commission of the Private Pension System. The World Bank will make available "a set of good practices in this field" aimed at strengthening the powers of these institutions, and bringing them up to "highest standards". However, the World Bank representatives pointed out that such regulatory weaknesses are not limited to Romania but affect "the whole civilized world". "If we had had proper regulation we would not be in the crisis we are in", Kalantzopoulos was quoted as saying by the Romanian press. (financialru.ro, actmedia.eu)

### **U.K.: Regulator Says Governance is More, Not Less Important During Crisis**

The British Pensions Regulator (TPR) issued a statement last month warning that schemes are more vulnerable to illicit

actions during an economic downturn and is calling for increased "vigilance" to identify possible causes for concern. TPR suggested that a difficult financial situation could "accentuate the vulnerability of some schemes to actions which give us cause for concern." Such actions can include fraud and dishonesty, but also choices that would "unacceptably increase risks to members' benefits" including the avoidance of employer debt, inappropriate transfers from under-funded schemes, employer related self-investment, and the practice by "trust busters" of targeting members through offers of accessing pension savings and transferring them to suspicious entities.

While TPR says it plans to run investigations, it also emphasized the importance of whistle-blowing reports as a source of information. In fact, reporting of breaches of legislation is a legal obligation for managers, trustees, and administrators and overrides other obligations such as confidentiality. Governance it said is "more and not less important during a downturn." Some industry professionals suggest that managers and trustees should take a critical look at their control and oversight processes to identify risks, and review procedures accordingly. (IPE.com)

## **PENSION FUND PERFORMANCE NOT ONLY NEGATIVE**

### **Mexico: Funds' Assets Grow**

Data by the domestic regulator CONSAR show that total assets managed by Mexican pension funds increased by 10.7% year-on-year, reaching US\$74.6bn (MXN970.11bn) at the end of the first quarter of 2009. The average return of the schemes belonging to the national pension system increased to 4.42% for the three-year period which ended on March 31, 2009. The largest share is invested in national government bonds, 15.81% is in national fixed income, 5.14% in national equity, and the rest is in international equities and fixed income. Last month, Mexican pension funds agreed to invest only in local securities for the rest of the year in a bid to support the country's efforts to reactivate the national economy.

In 1997 the Mexican pension system was transformed from a pay-as-you-go to a private scheme of individual capitalization (defined benefit – DB – to defined contribution – DC -). The reform was implemented in order to face demographic challenges and ensure the future financial sustainability of pensions. Each worker owns an individual account in which contributions are mandatory for the employer, the government and the employee. The National Commission for the Pension System (CONSAR) is the regulator and supervisor of Mexico's pension system and its main objective is to regulate AFORES. AFORES are private financial institutions in charge of the administration and investment of retirement savings. (Global pensions, CONSAR website).

### **Norway: Government Pension Fund Assets Increase**

Norway Global increased in value to NOK 2.08trn (EURO 236.4bn) by the end of March. It went through negative bond



returns (-23.3%), the worst set of results in the scheme's history in February, which led to a review of fund's short-term investment strategy. Since then, the Norwegian Ministry of Finance has published a report about the running of the fund over the last year and its own ethical guidelines, which resulted in the exclusion of tobacco producing companies from the investment universe and confirmation it would not be investing in high yield or emerging market bonds in the near future. (GlobalPensions.com. On ethical investment, see IPN #3)

### **Russia: Pension Funds Concerned About Deposits in Unhealthy banks**

Russians are at risk of losing their pension savings deposited in banks, the head of the National Association Council on NPFs Kostyantyn Ugryumov warned at a meeting of Social Council on pension accumulations' investment. Key negative factors that may lead to savings' losses include: presence of problematic banks, the fact that pension funds are last in line when it comes to being compensated for losses in bank deposits, bonds exposed to a default risk, and also sharp decreases in payment of insurance contributions by companies reducing investments and possible returns. Mr. Ugryumov considers that it's time to question government about insuring not only pension accumulations which are located in private institutions, but also pension savings held by government. In his opinion, creation of such security system has to be implemented by the Pension Fund of the Russian Federation and will avoid using funds from the state budget. (Regnum.com)

### **Ireland: Pension Assets Fall**

The value of Irish pension scheme assets fell by 23% in 2008 wiping out €20bn in fund value. The Irish Association of Pension Funds annual report shows that total assets fell to €66.7bn from €86.6bn the previous year. In addition, a survey found a continuing move from defined benefit to defined contribution schemes. 70.8% of assets are managed on behalf of defined benefit schemes and 27.3% on behalf of defined contribution schemes. However, this figure represents a doubling of assets for DC schemes in two years from 14% in 2006, GlobalPensions.com reports. 1.9% are managed on behalf of additional voluntary contribution schemes.

### **Finland: Black Year for Funds**

According to the report of the Bank of Finland, 2008 was the "worst year in the history of employee pension schemes [in Finland]" following the slump of equity prices. The insurers recorded huge losses on investment activities. As a result of the financial crisis, insurers made many changes to their investment portfolios with many reducing equity investments and transferring the funds into fixed-income and real estate. The proportion of equities in the total investment portfolio of the Finnish employee pension insurers fell from 47% to under 30% over the year, while bond investments increased to 41% by the end of 2008. In the meantime, real estate investment remained stable with a small increase of a couple of million euros to just over 9bn euros, making the proportion of real estate assets in the total portfolio of the pension insurers equal to 14%. (IPE.com)

## **PENSION FUNDS DEVELOP NEW ANTI-RECESSION STRATEGIES**

### **Global: Equity, Property and Infrastructure Interest Investors**

Equity, hedge funds of funds (FoF), and especially property and infrastructure are of particular interest to pension funds and institutional investors this year based on GlobalPensions.com's analysis of a survey produced by Bfinance, a financial consultancy. The bi-annual survey of 60 representative pension plans, endowments, and insurers throughout the world indicates that at least 46% of respondents will increase equity exposure over the next 12 months, in part to realign their strategic asset allocation since equities have fallen in value. 35% will reduce their exposure to equity from their current positions. At least 58% of respondents say the crisis has yet to force them to review their investment policy, but of those who said they would, at least 70% expect to do so within the next six months.

Property and infrastructure also appear to be favored diversification investments for the future. The survey found 24% will increase investments in property over one year and 44% over three years, while infrastructure will leap to the forefront of interest in the coming months as 32% of investors increase holdings over 12 months and 46% increase over three years. By the end of the three years, just 15% of the polled investors are likely to have no holdings in real estate compared with 27% in March. More than a third of companies surveyed expected bond holdings to drop. (GlobalPensions.com, Bfinance)

### **Netherlands: Dutch Shell to Increase Pension Contributions**

Oil group Royal Dutch Shell has announced a multi-million euro rescue package that will increase pension contributions by a factor of more than six to its stricken Dutch scheme, which slid into deficit during the financial crisis last year. The decision to increase pension contributions by Shell comes as many companies in the U.K. and Europe are on the contrary reducing amounts they pay into their schemes in an effort to save costs. In order to improve the fund's damaged financial position, Shell has agreed to increase its regular pension contributions from 5% of workers' salaries to 32.1% from July 1 (the usual contribution rate for defined-benefit pension schemes is in the region of 15%). The increase will add EUR35 million (\$46 million) to EUR40 million to the company's Dutch pensions bill for 2009. At the same time, Shell company in London took a year's break from paying into the U.K. fund in July 2007, and extended this for another year in 2008. The "pensions holiday" will be reviewed again in the summer. (Wall Street Journal, Royal Dutch Shell website)

### **Sweden: Swedish Pension Firms Underestimate Life Expectancy**

Swedish Pensions regulator Finansinspektionen (FI) reviewed 17 pension and life insurers concluding they suffered a deficit of more than SEK 17bn (EUR1.55bn) at their peak. However 15bn of this had been recouped by the end of 2008. The report revealed the most common reason for the shortfall was an underestimation of future life expectancy rates compared with



projections. This occurred in 12 of the 17 companies. Four of the firms had underestimated future operating costs, IPE.com reports. The Swedish Pensions Regulator, FI, emphasized the shortfall had not directly affected the level of pensions being paid to members and has not threatened the solvency positions of the companies. FI is discussing with the companies reporting deficits ways to encourage them to change the estimated assumptions and increase funding levels.

### **Europe: Risk Management Systems, Diversification Strategies Need Scrutiny**

According to Allianz Global investors and German consultancy Heubeck Feri, the traditional balanced or multi-asset portfolios have failed to protect pension funds during the current crisis and need to be reconsidered. They also agree on the need for more regulation and stressed the need to periodically adapt risk management systems to changing conditions. High volatility and correlation have “unveiled as yet unnoticed risks in the asset allocation which have to be addressed with the right risk management measures”, IPE reports. Allianz suggested there is a need to move away from classic bond/equity benchmarks towards a more dynamic asset allocation in order to help manage risk long-term, though the firm argued measures should be part of a risk management strategy which clearly divides risk assessment from risk management and risk control. Both houses agree there will be more focus on risk management among pension funds. They also see asset liability models as a possible solution for some of the risks pension funds now face. (IPE.com, Heubeck Feri press release)

### **U.K.: Aon, Aviva Review Employer/Employee Contributions Split**

The British arm of one of the world’s biggest insurance brokers, Aon, has announced plans to cut employer contributions to its UK pension by up to half as part of its plan to tackle recession. The proposal involves going over to a lower standard employer contribution for its 5,000 employees’ DC plans. However, if employee contributions are higher than standard, the employer would match it on certain conditions. Depending on age, employees can put in additional 2%, 4% or 6% and the company will meet those additional contributions. According to the Financial Times, Aon may just be the first of several large companies to slash employer contributions as a way of cutting costs. In a similar move, insurance giant Aviva is making employees contribute 1% of their salary to their defined contribution scheme for the first time. Until now the 15,900 members of its DC scheme have not had to put in any of their own money, the scheme being solely financed by the employer. (FT, Guardian, Professional pensions.com)

### **Ireland: Funds May Finance Economic Growth Projects**

Pension funds may be used to fund a range of infrastructure projects as part of the emergency budget unveiled by the Irish government, while public servants will be subject to higher pension contributions. The Irish government has promised EUR 31.4bn (US41.6bn) of investments between now and 2013 for infrastructure projects to get the Irish economy going again. It is in talks with the country’s pension fund industry to provide up to a further EUR3bn (US3.97bn). According to GlobalPensions.com website quoting Government officials,

there is “scope to access significant private funds” through arrangements with pension schemes.

Commentary: The Editor notes that if the infrastructure projects are not financed with bonds that constitute new Irish Government debt, if the bonds do not pay a reasonable interest rate, and if they are not repaid as scheduled, the pension funds will be in much worse financial condition in the future and could be financially destroyed because of unprofitable infrastructure investments.

## **RETIREMENT AGE UP FRONT ON AGENDAS**

### **Netherlands: Study Claims People Work Longer if Incentive is Right**

APG Group, a defined-benefit (DB) pension scheme for civil servants and education and building sectors with 200 billion euros under management says people are ready to work longer if the incentive is right. In 2006, APG offered workers the possibility to claim higher benefits if they agreed to work longer. APG Group says research suggests that pension fund members will work for almost 18 months more than they originally planned before retiring, if they are given financial incentives to do so. (IPE.com)

### **Finland: Retirement Age Increase Under Debate**

The Finnish centrist cabinet shelved its plan to increase retirement age from 63 to 65 beginning in 2011, agreeing instead in a three-party agreement with unions and employers to raise it from current 59.4 years by three years between now and 2024. Finland's opposition, led by the Social Democrats, submitted a motion of no-confidence over the government's handling of its scuttled plan to raise the retirement age. According to Finnish website yle.fi, the age of people stepping out of the workforce may decrease if the recession lasts long and keeps elderly people out of jobs. In fact out of 72,000 people who formally retired, less than half (34,000) received regular old-age pensions. Around 12,000 retired on pension plans for the older long-term unemployed and over 25,000 on disability pension plans.

### **China: Retirement Age, Gender Equality Under Question**

The International Labor Office representatives in China and Mongolia together with a Gender Issues Research Institute in China organized a conference last month to debate the need for increasing the retirement age for women. Chinese men retire age 60, women retire at age 50 for blue-collar and 55 for white collar workers. ILO Director for China and Mongolia Constance Thomas remarked that, historically, mandatory early retirement was meant as extra protection for women acknowledging their double work load. However, “inequality in retirement age is increasingly viewed as outdated” she said and even considered to be “institutional sex-based discrimination.” Municipal authorities of Beijing are taking the lead with a proposal to raise the retirement age for women from 55 to 60 next year, as part of a series of legal revisions to ensure sexual equality at work, “China Daily” reported. If revisions go as planned, the reform would go into force this year.



## **Romania: Retirement Age Increase Possible Earlier Than Planned**

The Government may introduce an increase in retirement age sooner than initially planned, Romania Libera newspaper announced. Initially men were set to retire at age 65 and women 63, starting January 2014. At present women retire age 58 and 8 months. Also certain categories such as women who have raised three or more children benefit from an extra cut in age. The change is meant to address the long-term problems of Romania's pension system caused by a decreasing number of contributors compared to the number of pensioners, falling employment rates among elderly workers, and increases in undeclared labor, according to Mediafax quoting a report of the European Commission. According to the Commission, the early retirement policy put in place in the early years of transition as a means of limiting the unemployment rate significantly increased the number of pensioners. For each pensioner there were 3.43 workers in 1990, and only 0.79 in 2003. This is a remarkable decline in only 13 years. In 2003 each worker was supporting more than one pensioner, while in 1990 there were more than 3 workers to support each pensioner.

## **JURISPRUDENCE ON RETIREMENT AGE**

### **EU: Court of Justice on Right to Enforce 65 as Retirement Age**

A British advocacy group had challenged a British law imposing mandatory retirement at 65 as "discriminatory" towards elderly workers. Under current law, employers can force employees to retire at age 65. However, the European court ruled that Britain's law is NOT in breach of EU legislation if forced retirement is "justified by legitimate aims." While EU rules ban employment discrimination on the grounds of age, the Equal treatment directive states differences in the way people are treated are allowed in certain cases. It is now up to the British Court to decide whether the British government's motivations are "legitimate" or not. However, the ruling is already seen as a "bitter blow" to elderly people who want or need to continue working beyond official retirement age. In this case, forced retirement is meant to open the labor market to new entrants and lower unemployment figures. Initially the advocacy "Age Concern" had taken the British government to court in 2006 and the British High court which is currently deliberating the case had asked the EU court to clarify the issue pertaining EU regulation. Technically, the case is now returned to the British High court

### **EU: Court of Justice on Men/Women Equality in Retirement Age (Greece)**

The European Court of Justice ruled last month that women working as civil servants or in the military should not retire earlier than their male counterparts. The Greek government had argued that the earlier retirement rights women benefited from were supposed to reflect their shorter employment years

due to time taken off to bring up children. About 140,000 women may be affected by the ruling and may have to work for five years longer, according to the civil servants' union ADEDI which criticizes the ruling. The government said it would negotiate with the EU Commission to find a way of implementing the ruling, the Greek Kathimerini Daily reported. "It is contrary to the principle of equal treatment," the court ruled, "to impose for the grant of a retirement pension ... age conditions and rules on minimum periods of service required which differ according to sex", the decision reads.

## **THIS MONTH'S ANALYSIS: LATEST DEVELOPMENTS ON PILLAR II STRATEGIES**

The financial crisis and its effect on pension assets have pushed governments to review and eventually tune their pension systems to optimize pension assets by taking into account new economic realities. For instance, increasing investment opportunities by lifting allocation limitations like in Romania; or offering more diverse portfolios- higher risk, conservative and balanced - to better suit investors' needs and possibilities, like in Poland.

According to international pension expert Gary Hendricks, in Ukraine administrators should also offer multiple investment opportunities and learn to calculate three unit values, instead of just one: "In the rest of Central Europe administrators can do this, so why not in Ukraine? It would open very much needed investment opportunities, which is an absolute necessity, especially if pillar II is to be implemented sooner rather than later. Pillar II implementation will provide markets with a large inflow of liquidity that will be looking for investment opportunities."

### **Poland: Government Reforms Pillar II**

The Polish Government plans significant changes to the existing pillar II model, including contribution and fee cuts, the introduction of a life-cycle model, as well as alterations to the sales channels.

- Contribution cuts and fees: the maximum pension fund contribution will be cut from 7% to 3.5% gradually over the next years. Furthermore, the maximum management fee of pension funds is to be capped once a fund reaches PLN45bn (9.7bn euros) in assets. The law is to come into effect from January next year

- Introducing pension funds with different risk-levels depending on age

Market sources told IPE.com the government may plan to set up three varying pension funds with different risk levels within one pension fund provider – similar to the so-called life-cycle model in other countries. The "balanced" portfolio, with similar risk to the current pension funds, is compulsory for a certain period for every pension fund member, followed by a switch to the "secure" option with reduced risk closer to retirement. The "dynamic" option, on the other hand, is



voluntary should a member decide to bear more risk and has at least 20 years left to retirement when he makes this choice. If this amendment is implemented, the future pensioner can simultaneously be a member of two different types of investment portfolios in the same pension fund.

-The government is also considering changes in the sales mechanisms for pension contracts, possibly allowing new sales channels through the internet or call centers. (IPE.com)

### **Estonia: Government Goes Through with Plan to Suspend its Share in Pillar II Contributions**

The Estonian state will stop payment of contribution to the second pillar pension scheme for two years, the Government has decided after weeks of debate. At present, workers pay 2% out of their wages and the state contributes 4%, taken out of the solidarity system contribution (20%) made by each worker. The measure to stop contributions is meant to reduce public deficit and give households extra cash to refinance loans, redirecting the contributions in part to the workers and in part to the state budget. Pillar II now holds the pension savings of about half a million Estonians. When it was introduced in 2002, funded pension contributions were mandatory for young people born before 1983, optional for everyone under 60, and not allowed for those over sixty. Currently, the second pillar funds hold a total of 11 bn krooni (US\$993 million) in assets and another 6 bn Krooni are expected to be paid in over the next two years. The government plans to pick up payments again in 2011, contributing 2% (and workers 1%), while the scheme will be fully restored only in 2012. Workers can, however, continue to contribute to pillar II, in which case the state has pledged to pay in something too, but “under certain conditions of economic growth”.

Some authorities criticize the idea. The head of the Financial Supervisory Authority, the local regulator, Raul Malmstein opposes the plan, arguing it would give fund participants grounds to sue the state or fund managing companies for forfeiting on agreements. Estonia implemented its second pillar mandatory accounts in 2002. Participants contribute 2% of their salaries, and end employers contribute 4% (plus 16% into the first pillar). The funds are managed by private managing companies whose assets are strictly separated from those of the funds. (Government website [www.valitsus.ee](http://www.valitsus.ee), IPE.com)

### **Ireland: Trade Union Calls for Pillar II to Offset Weaknesses of Defined-Benefit Schemes**

A major trade union, the Services Industrial Professional and Technical Union (SIPTU) says that the government’s recovery plan must address the risk of occupational defined benefit schemes breaking down due to employer bankruptcy. The union has given the government until May 1 to address the “reality of a pension deficit” in the country by introducing a mandatory funded scheme. According to SIPTU, almost 50% of Irish workers have no occupational pension provision at all, and for those who have, the outlooks are unclear. “It is now clear that the defined benefit pension system is unsustainable” IPE.com reports quoting SIPTU officials as saying. (IPE.com, Irish Times)

### **Croatia: The Future of Croatia’s Second Pillar at Crossroads?**

The Croatian government has not pushed forward with a plan to let contributors opt out of the mandatory funded pension scheme (Pillar II), possibly heeding warnings from domestic experts and from the International Monetary Fund (IMF). Last February Croatian PM Ivo Sanader had called the country’s second pillar a “failure” after funds reported a negative return of about 12,5% for 2008. He had hinted at a measure to let contributors leave the scheme, offering instead the possibility to have retirement savings managed by the state. At present the assets are managed by private investment funds with pillar II contributions amounting to 5% of a worker’s gross wage.

However, the IMF has warned that “the authorities should refrain from changing the second pillar of the pension system, which could have a devastating effect on already battered capital markets and erode investor confidence”. Since 2002 when mandatory pension schemes were introduced, assets grew considerably and now constitute an important source of liquidity for Croatian capital markets. Pillar II assets constitute two-thirds of the turnover on the ZSE exchange in 2008, and represent 8% of GDP.

Therefore, closing down the scheme would destabilize markets, experts fear. Andras Horvai, head of the World Bank office in Zagreb, warned that the second pillar of the pension system should not be eliminated, the Croatian newspaper “National” reported last month. In fact, several experts believe that Pillar II contributions should even increase: the local association of pension fund managers said that instead of weakening pillar II, the government should be taking measures to boost contributions from current 5% to 10% of wages.

The IMF also said that contributions should be increased as a way of stabilizing the pension system overall. Earlier recommendations by the IMF had included an increase to the current 20% contribution rate to the first pillar - 5% of which could go to the second pillar for those with a supplementary retirement provision, IPE.com reported. In the Croatian system, the funds have to assure a minimal rate of return. And while a shortfall is compensated by the assets of the management company, the ultimate guarantor is the state budget. (IPE.com, National)

Commentary: The Editor notes that the Croatian example shows the impact that the inflow of capital after the implementation of pillar II can have on the securities markets. Because of the impact of pillar II funds upon the capital markets, Governments should ensure that the markets offer sufficient diversity of investments. While pillar II assets may account for a large part of the capital of the stock market, it must be noted that the purpose of pension funds is for long term investments and therefore should not account for a large part of the turn over.



**Table: Second Pillar Data Throughout Central Europe**

**SECOND PILLAR DATA, CENTRAL EUROPE**

(Source : Allianz Global Investors, OCDE, various)

Central Europe Countries	Members (million)	Assets under Management (million EUR)	# of Pension Fund Providers
Slovenia	0.4	813	11
Estonia	0.5	475	5
Lithuania	0.6	306	6
Latvia	0.9	183	8
Slovakia	1.1	710	6
Croatia	1.3	2,200	4
Bulgaria	2.4	523	8
Hungary	2.6	5,900	18
Czech Republic	3.3	5,300	10
Poland	2.4	30,000	15

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The USAID Capital Markets Project (CMP) was launched in October 2005, and is a five-year program designed to assist the country in developing a vibrant and effective financial sector. This effort will promote sustained economic growth and reduce the costs and risks to a sound pension system. You can find out more on the CMP website [www.capitalmarkets.kiev.ua](http://www.capitalmarkets.kiev.ua) or on the website about pension reform in Ukraine: [www.pension.kiev.ua](http://www.pension.kiev.ua)

USAID's assistance focuses on the following areas: Economic Growth, Democracy and Governance, Health and Social Sector. Since 1992, USAID has provided \$1.6 billion worth of technical and humanitarian assistance to Ukraine to further the processes of democratic development, economic restructuring and social sector reform in the region. For additional information about this and other USAID programs in Ukraine, please call USAID's Development Outreach and Communication Office, tel. (044) 492-7101 or visit the USAID website at: <http://ukraine.usaid.gov>.