



ANNEX 43

Regulation and supervision- Non-state pension system Twinning Project AZ/13/ENP/SO/24

Bernd Schulte-Brinker

I. Pension funds structure

-Licensing

-Pension Plan

II. Financial situation

III. Risk management

IV. Insolvency

V. Reporting

I) Pension funds structure

I.1 Licensing

Licensing of private pension management companies

- > The operation of pension funds **must be authorised** by the Supervisory Authority
- Pension plans
 - Investment policy
 - Individual participation agreements and rules of registering
 - Agreement with custodian
 - Methodology of capital pay-out
 - Organisational structure, description of management structure, description of accounting policy, IT system protection rules and other relevant documentation

I) Pension funds structure

I.2 Pension Plan

	Dc pension plans	Db pension plans
Cover ratio	Funding gap possible	No deficit
Own funds requirements	-	Solvency I
Investment regulation	Prudent Person Principle	Quantitative requirements

I. Pension funds structure

II. Financial situation

- Investments
- Capital requirement

III. Risk management

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V. Reporting

II) Financial situation

II.1 Investments

- **Investments**

1) Pension funds shall be obliged to establish guarantee assets, taking account of the pension plans concerned.

2) In order to ensure that the obligations under the pension plan can be fulfilled at all times, the Federal Government is authorised to set forth details by regulation in accordance with subsection (1) above, taking into account the types of investment.

-> ensure that obligations under a pension plan can be fulfilled at all times.

(3) Pension funds are obliged to inform the Supervisory Authority annually of their **investment policy**, as well as immediately following **any significant change** in such policy.

II) Financial situation

II.1 Investments

- **Investment objects**

1.	Government and municipality securities (Bonds, T-bills)
2.	OECD government investment grade securities
3.	Securities of international financial institutions
4.	Equities or other capital securities – on regulated markets
5.	Corporate bonds – on regulated markets
6.	Term deposits in the banks
7.	Investment and alternative funds
8.	Real estate
9.	Derivatives
10.	Risk capital

II) Financial situation

II.1 Investments- Main restrictions

1.	30% from assets in securities of one issuer - state, municipality or international financial institution
2.	10% from assets in securities of one issuer – corporate and total exposure to one corporate – 10% from assets
3.	20% from assets in term deposits in one bank, total exposure to one bank – 25% from assets
4.	10% from assets in one investment fund, but no more than 10% from investment fund total assets
5.	10% from assets in one real estate, and total investment in real estate - no more than 15% from assets
6.	5% from assets in financial instruments issued by corporates of one group where pension fund is a part of this group
7.	5% from assets in financial instruments issued by corporate with collective agreement with pension fund
8.	25% from assets in financial instruments issued by one group of corporates
9.	No borrowings, no direct credits
10.	REPO operations up to 50% from assets
11.	10% from assets of one issuer in risk capital market
12.	Open currency position – 10% from assets in one foreign currency, 20% from assets – to all foreign currency

II) Financial situation

II.2 Capital requirement

- **Capital requirement**

(1) To ensure that their liabilities under the pension contracts may be fulfilled at all times, pension funds are obliged to **maintain own funds free of all foreseeable liabilities in an amount not less than the solvency margin**, which is determined in relation to the total volume of business.

(2) In order to ensure the adequate solvency of pension funds, the Federal Ministry of Finance is authorised to issue by regulation provisions on the following:

1. The calculation and the amount of the solvency margin,
2. The minimum amount of the guarantee fund relevant to pension funds, and
3. The items that may be considered own funds within the meaning of subsection (1) above, and the extent to which these may be counted towards the solvency margin

- I. Pension funds structure
- II. Financial situation
- III. Risk management**
- IV. Insolvency
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III) Risk management

- Risks
- Risk strategy
- Risk control process
- Risk reporting
- Internal audit
- Internal controls

- I. Pension funds structure
- II. Financial situation
- III. Risk management
- IV. Insolvency**
- V. Reporting

IV) Insolvency

- Financial recovery plan
- Pension Security Association („PSV“)
 - Covers all schemes
 - Transfers old-age pension obligations to a consortium
 - Financed from the contributions received by the “Pension Security Association”

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V) Reporting

- External accounting information: semi-annual
- Investments
 - > Exclusively quarterly review: Composition of Assets
(equal to Financial Statements)
 - > Other (investment) reports
- Risk reporting
- Actuarial report
- Forecasting
- Stresstest
- Ad hoc-reporting



Thank You!



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