



# HOW ASSETS EARMARKED FOR RETIREMENT CAN SUPPORT THE ECONOMY AND BENEFIT MEMBERS

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# Main message

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- Calls to use assets earmarked for retirement to support the economy (inc. recovery, sustainable and ESG investment)
- OECD regulatory principles on pensions: pension funds and other providers of retirement savings arrangements have to manage retirement assets in the best interest of members (Fiduciary)
- By all means, use assets earmarked for retirement to support the economy, investing them in sustainable and ESG projects
- As long as they are managed in the best interest of members
- For this, there should be **safeguards** in place and **adequate investment vehicles**



## By all means, as long as

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- There are regulatory safeguards to make sure providers still act in the best interest of members
  - which it is to reach a certain level of retirement income and to invest their savings to get the best possible return adjusted by risk and net of fees and charges
- Suitable investment opportunities;
- Appropriate market structures and financing instruments



# Safeguards: strong governance

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- OECD Core Principles of Private Pension Regulation
- Governing body accountable to members and beneficiaries
- Adequate internal controls to promote the independence and impartiality of the decisions taken
- Suitability of the members of the governing body (minimum fit and proper standards)



# Safeguards: appropriate investment policies and regulations

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- Establish an investment policy consistent with retirement income objective and specific attributes of the plan (e.g. liabilities, risk appetite)
  - Strategic asset allocation; possible deviations; framework for non-traditional asset classes; regular review
- Sound investment risk management strategy
  - Do not invest when you do not understand the risk and structures
- Appropriate regulation
  - Limits for more complex and less transparent asset classes and for self-investment; regular assessment and amended as necessary when products and skills evolve



# Suitable investment opportunities for alternative assets

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- Transparency and clarity about long-term strategic policy frameworks, e.g. government's long-term infrastructure plans
- Public-private partnerships that balance the benefits of such investments with potential moral hazard problems
- Financial support for investments
  - Contributions or grants; guarantees; co-investment; tax incentives
- Promote special vehicles for investment in alternative assets
  - Seed capital to set up investment funds; promote greater pooling and collaboration



There are investment vehicles that pension providers can use to support the economy

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- Pension providers can only invest in a way that supports the economy if the right market structures exist.
- Vehicles that support the economy can be split broadly into those that:
  - meet the immediate needs of businesses and governments in direct response to a crisis
  - promote economic growth to aid the recovery, sustainable and ESG investment opportunities



# Financing instruments to meet direct needs arising from the crisis

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Traditional equity and debt instruments



- Corporate bonds
- Listed equities
- Private equities

Debt instruments that emerged during the crisis



- COVID bonds

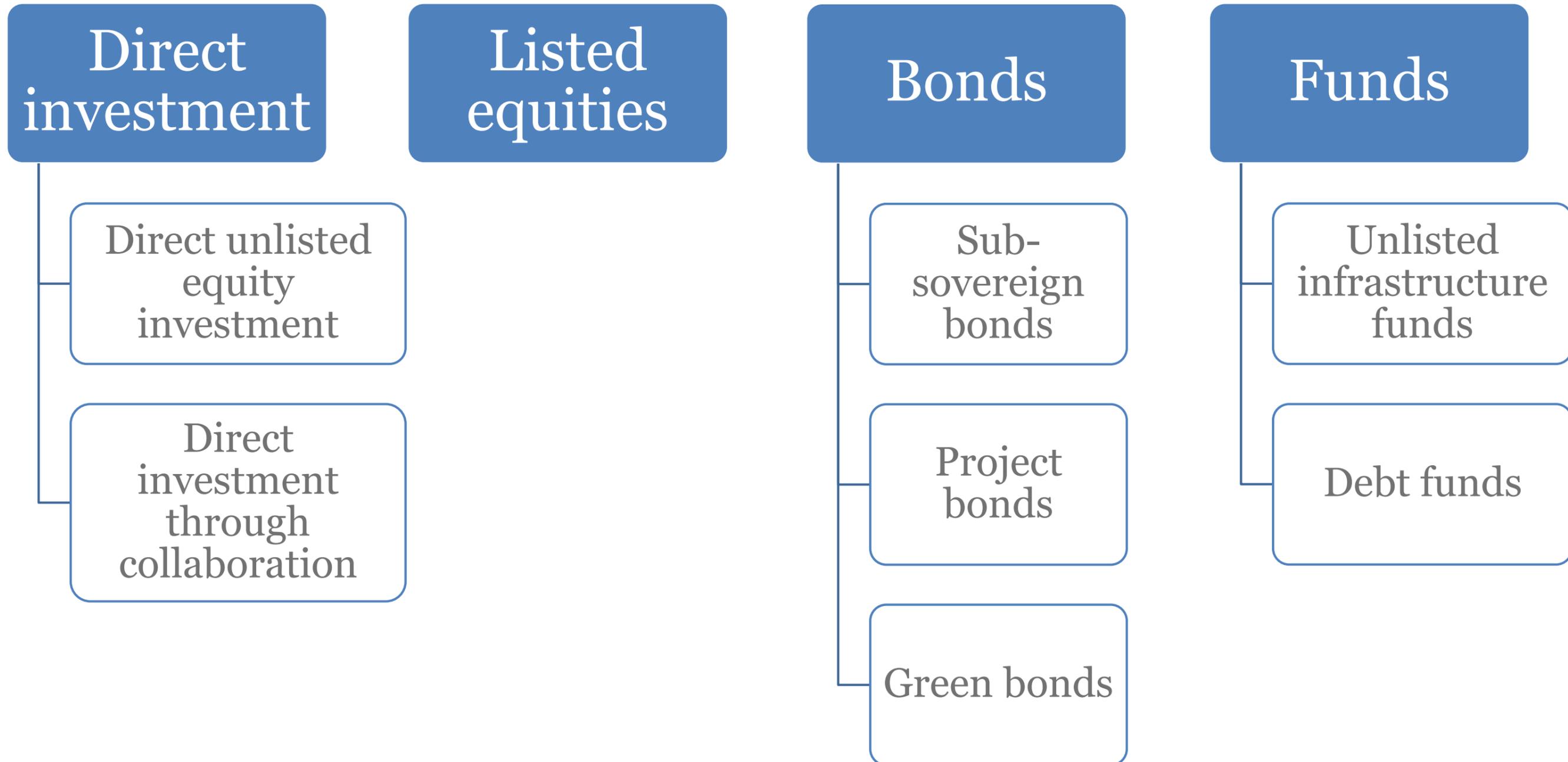
Instruments that can provide support to SMEs



- SME loan securitisation
- SME covered bonds



# Instruments to finance investments that promote economic growth



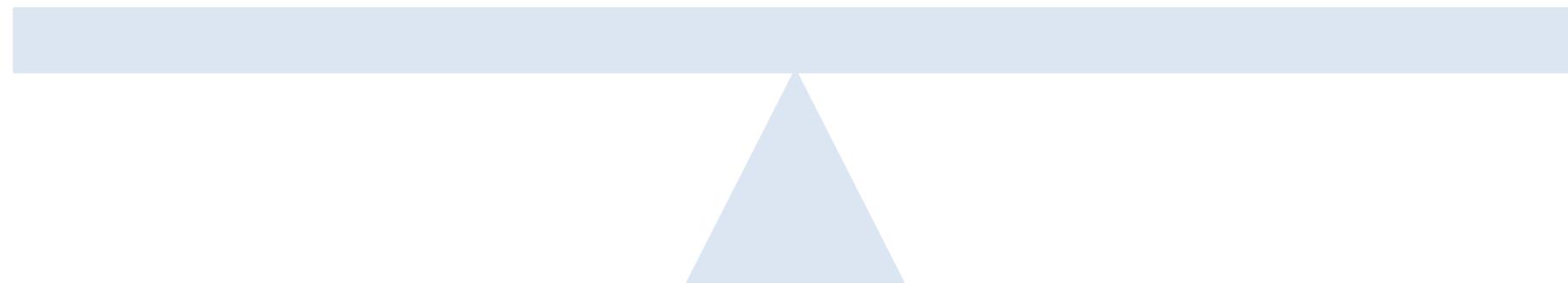


# How can retirement assets support economies and benefit members?

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Safeguarding the interests of members

Promoting investment that support the economy





# Safeguarding the interests of members

## Pension providers

- Do not engage in investments beyond assessment capabilities
- Carefully assess new investment opportunities
- Act in accordance with investment and risk-management strategies

## Policy makers

- Reinforce independence of pension providers
- Enforce strong governance rules



# Promoting investment in instruments that support the economy

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## Pension providers

- Explore partnerships with issuers of investment instruments

## Policy makers

- Promote suitable investment vehicles
  - Set up structural solutions & projects
  - Improve data
  - Enhance pension providers' capabilities
- Promote a favourable environment for long-term investment
- Adjust investment regulations
- Limit early access to retirement savings



# THANKS Questions?

OECD work on pensions

[www.oecd.org/insurance/private-pensions](http://www.oecd.org/insurance/private-pensions)