



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

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Main message

- 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

- 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

- 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

- 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

- 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

- 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

Traditional equity and debt instruments



- Corporate bonds
- Listed equities
- Private equities

Debt instruments that emerged during the crisis



- COVID bonds

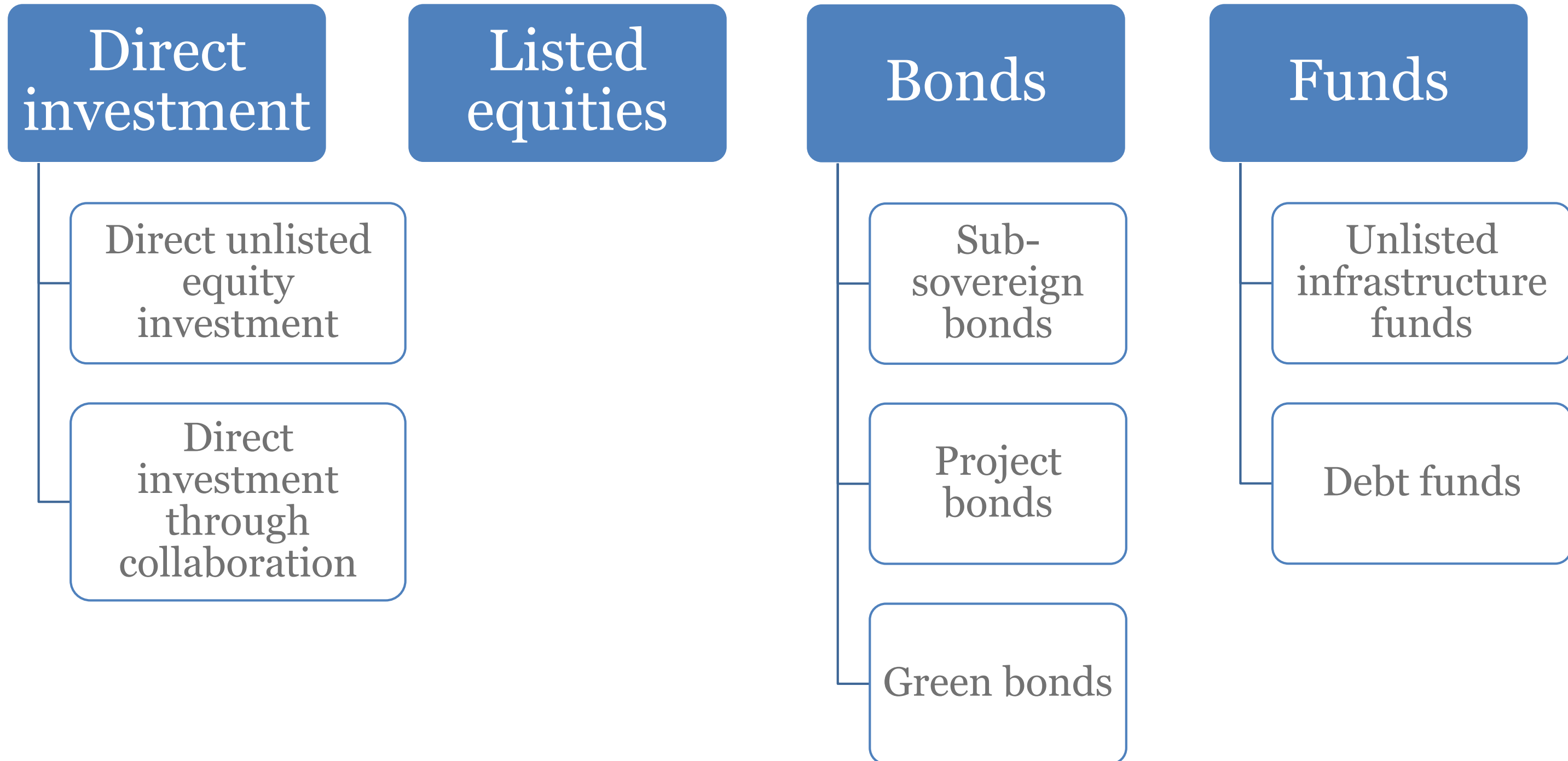
Instruments that can provide support to SMEs



- SME loan securitisation
- SME covered bonds



Instruments to finance investments that promote economic growth





How can retirement assets support economies and benefit members?

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

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