WORLD PENSION ALLIANCE
GLOBAL REGULATORY RESPONSE TO PENSION PLAN ISSUES RESULTING FROM THE COVID-19 PANDEMIC JUNE 2020

Note this summary is indeed a summary. The. WPA's paper on the global regulatory response to the COVID-19 pandemic including its extreme impact on financial markets and pension plans reflects the regulatory efforts made to date, and in some cases under consideration for completeness.
The WPA does not endorse all measures taken especially where they could impact the long-term security of retirement income for citizens. The WPA does feel compassion for everyone who is impacted by COVID-19.

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Region	**Europe**	**Australia**	**Canada**	**South America**	**United States**
Applicable Regulation	The design and management of pension systems is largely the responsibility of EU Member States, hence the European Union can only legislate on matters that affect the functioning of the European internal market (e.g. free movement of persons, freedom to provide services). In addition, the EU can try to coordinate issues related to pensions through 'soft-law' non-coercive mechanisms		**Federal and Provincial**		**Federal**

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<u>**Relief Measure:**</u>	Disclaimer: the measures chosen by EU member states to address the crisis vary considerably from country to country, also because the European pensions' landscape is very diverse		Discussion around allowing employers/members to reduce contributions subject to plan amendments; employers permitted to amend plans to remit below the 1% of compensation floor; No other funding relief		Governmental Plans (GPs): states & localities are asking for federal assistance to the anticipated loss of state/local revenue due to COVID. GPs are NOT asking for direct federal assistance currently. Multiemployer Plans (MPs): MP are asking for (1) Federal assistance to partition liabilities of plans facing insolvency ($0 assets to pay benefits) to restore solvency (2) extended time to pay for any investment or contribution losses as a result of COVID-19 and (3) new plan designs to be made available that would strengthen and stabilize the system for the future

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Actuarial valuations		No specific measures taken to date	Plans are allowed to file special valuations at December 31, 2019; some provincial regulators imposed additional restrictions that such plans filing valuations earlier than their normal 3 year cycle may not change that cycle for 9 years		GPs: There are NO federal regulations or guidance for GPs relative to actuarial standards. GPs generally follow the standards of the actuarial societies. To date I'm unaware of any actuarial society guidance relative to COVID. MPs: Annual return/report filings that would otherwise be due on or after April 1 and before July 15, 2020, are delayed until July 15, 2020. Certification of Zone status and development of any required Funding Improvement or Rehabilitation Plans due on or after March 31, 2020 are delayed until July 15, 2020

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Defined Contribution plan/401K balance withdrawals	See the answer to withdrawals below. EIOPA indicated that National Competent Authorities (NCAs), where relevant in collaboration with the national legislator, should encourage flexibility to safeguard members' pension rights and, particularly in DC schemes, allow plan members to choose delayed application of lump sum payments or of mandatory annuitisation.	- Yes, up to $20,000 for Australian and NZ citizens and permanent residents and $10,000 for temporary visa holders – tax free. - Temporary relief measures provided to expand time critical financial advice provide on early release measure	No, registered pension plan funds are locked in; individual accounts in registered retirement savings plans (RRSPs) already allow withdrawals without limits – RRSP withdrawals are taxable	Only in Peru, where an initiative was approved that allows the withdrawal of up to PEN 2.000 from their individual accounts to unemployed workers. Another initiative in Peru allows the withdrawal of 25% of individual accounts funds to all contributors, the maximum amount is PEN 12.900, this initiative was approved in congress, but it has not been enacted yet. The measure has been proposed in Bolivia, Chile, El Salvador and Dominican republic	Yes, up to $100,000

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Commuted value transfers	The rules on transfers vary from country to country. In Italy, for example, the legislation always allows the transfer of commuted value between funds with the possibility to choose a guaranteed line. But in this extraordinary period, occupational pension organizations at the national level are strongly recommending to funds to not adopt this practice for their members but rather wait for an economy recovery. In some countries, pension funds are proactively communicating to their members the potential (negative) consequences of transfers or other short-term-driven decisions (e.g. early redemption).	No specific measures taken to date	Most regulators have rules that prohibit such transfers (made on the basis of solvency factors) if the plan is known to have incurred a loss of 10% or more; regulator approval required for transfers		

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Contribution holidays	Depends from country to country According to the Belgian association of IORPs, the introduction of flexibility on contributions for DC plans would not be considered as a good practice in Belgium, unless the pension plan and the pension rights would be modified. A temporary national legislation is under way, allowing sponsors to continue their pension contributions (and risk covering premiums) for their temporarily unemployed workers (as if they were still working).	No specific measures taken to date	In debate for solvency special payments; no relief for regular payments	Approved in Colombia (for two months) and Peru (for one month). It is being discussed in Chile (for three or four months) and in Dominican republic (for three months)	GPs: There are NO federal regulations or guidance relative to contribution holidays. Plan sponsors generally make the decision to fully fund, partially fund, or not fund

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Communications (member and regulator level)	At EU level, EIOPA is encouraging NCAs to expect pension funds to communicate to sponsors, members and beneficiaries in a balanced way on the impact of the coronavirus/COVID-19 developments on the IORP's service continuity and, as the financial and economic impact of the COVID-19 starts to become clearer, on the impact on (future) retirement income of members and beneficiaries. In particular in DC schemes, pension funds' communications should aim to discourage potential short-term decisions by plan members that may jeopardise long-term pension outcomes.	Regulators have suspended non time critical consultation, regulatory reports and reviews - Additional time provided to respond to complaints - 6 month suspension on issuing of new licenses	Regulators allowing additional time for regular report filing both to regulators and to plan members, recognizing it is important to be communicating with members at this time		GPs: There are NO federal regulations or guidance relative communications. Each state has its own rules about communications. MPs: Zone notifications due on or after March 31, 2020 are delayed until July 15, 2020. Delays in providing other participant notices are allowed through 60 days after the announcement of the end of the COVID emergency, as long as a good faith effort is made to provide the notices as soon as possible

	At national level, many pension funds are communicating to their members on their own initiatives. Some are providing guidance and warning savers about the risks of taking (wrong) short term decisions. As for the reporting to national competent authorities, at EU level EIOPA invited NCAs to accommodate pension funds' focus on key operational activities: NCAs should be flexible with respect to deadlines for publication of documents and data considered less urgent given the current circumstances as well as in respect of national reporting requirements. The timings for the provision of occupational pensions information to EIOPA				

	are extended by two weeks for the information regarding the first quarter of 2020 and by eight weeks for the information regarding annual reporting with reference to the year-end 2019. Many NCAs are following the recommendation. Along the same lines, the European Central Bank extended its deadlines regarding the reporting of statistical information by pension funds (PF). Regarding the obligation of PF to provide their annual data reporting (for the reference year of 2019) there is an 8-week extension, while PF quarterly data obligations extend by 2 weeks.				

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Electronic payments/ reporting	Many regulators provided operational relief to pension funds. In several EU countries pension fund active members and retirees can use online services. Thus, in several national contexts, personalized and secure information is already available to PF members.	Revised commencement dates for new prudential and reporting standards - Annual AML/CTF obligations compliance report requirements extended from 31 March 2020 to 30 June 2020 - Self Managed Superannuation Fund annual returns due date extended to 30 June 2020 - Unclaimed super money reporting and payment deferral - Tax office allow super funds to submit release authority statements (RAS) and End Benefit Notices (EBN) electronically	Some Canadian regulators endorsed electronic communication with members; no endorsement for required contributions to be remitted electronically	In Chile, the IPS (institution in charge of payment of old PAYG system) is making payments electronically. In Colombia alliances have been made to open bank accounts to elders	

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Employment stimulation (1)	Major government measures taken at national level in most countries. More than 30 million workers in the five biggest economies of the EU (UK, DE, FR, IT, ES), estimated around 1/5 of their total workforce, have applied to state short-term leave schemes against unemployment (see more here). The EU will provide additional financial support to member states to protect jobs and workers affected by the coronavirus pandemic: the Commission has proposed a new instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE). It will allow for financial assistance up	Yes; JobKeeper subsidy payment to employer to retain staff. Workers receive a fortnightly payment of $1,500 (before tax and no pension contribution)	Yes; major federal government programs for employers who retain staff by paying up to 75% of earnings up to $59,000; relief for small businesses. 8.7 million Canadians have applied for relief	In Chile and Costa Rica, it has been approved a law that allows the use of unemployment insurance funds to pay salaries and prevent layoffs. In Dominican Republic, it was proposed that pension funds be used to pay salaries for three months to prevent layoffs	GPs: States & localities are asking for federal assistance to the anticipated loss of state/local revenue due to COVID. GPs are NOT asking for direct federal assistance currently

	to EUR 100 billion in the form of loans from the EU to the affected Member States In addition, the European Parliament is calling for a permanent European Unemployment Reinsurance Scheme to ensure that workers in Europe are protected from income loss. A future European Unemployment Benefit Reinsurance Scheme aims to reduce pressure on EU countries' public finances by providing support to national measures to preserve jobs and skills and to facilitate the transition back into work. The Commission is expected to present its proposal later this year.				

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Essential services	EU pension funds are ensuring business continuity At EU level, EIOPA has called on NCAs to ensure that IORPs prioritise the continuity of key operational activities, including outsourced ones, like the timely investment of contributions, the management and safekeeping of assets, the timely and accurate payment of retirement benefits and service continuity towards members and beneficiaries. NCAs should allow IORPs flexibility in the collection of contributions from employers facing liquidity pressures, also in anticipation of envisaged wage support measures.	State and Territory governments have outlined a list of prohibited venues and activities. Everything else is considered and essential service. Superannuation funds and their service providers are not on the prohibited list	Pension plans declared essential services; majority of employees work remotely		

	EIOPA also stated that NCAs should expect IORPs to carefully consider and effectively manage the increased risk exposure to fraud, other criminal activity, cyber security and data protection due to the disruption of society and, in particular, staff working remotely. Finally, EIOPA recognized the importance of IORPs by stating that they can play a stabilising role in current volatile markets. Many national competent authorities are providing guidance to pension funds to ensure business continuity and/or setting exceptional measures on organizational issues.				

	In Germany and in Italy pension and insurance services have been declared as 'essential services'. On the contrary, in Belgium the Ministerial Decree of 17 April 2020 defined a list of 'essential services', however pension or insurance services are not included in there.				

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Financial market stimulus	The ECB announced in March an initial stimulus package of 750 billion euros in government and corporate bond purchases (under the name 'Pandemic Emergency Purchase Programme'), as part of its efforts to support the Eurozone. Additionally, the ECB lowered at the end of April the interest rate on cheap loans it provides to banks and eased requirements for bank capital cushions, meaning that banks will not be pressed to restrict their lending activities (see more here and here).	Reduction in cash rate	Reduction of baseline interest rate		

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Freezing of pension funds				In Chile, it will be allowed for people starting their retirement process, to voluntarily freeze pension funds in order to prevent losses	

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Funding	At EU level, EIOPA called on NCAs to closely monitor the impact of financial market developments on the financial position of IORPs providing defined benefit (DB) schemes and their compliance with national funding requirements. EIOPA invites NCAs, in their supervisory responses, to seek to find an appropriate balance between the primary goal of safeguarding the long-term interests of members and beneficiaries and the aim of avoiding short-term pro-cyclical impacts on the real economy, most notably sponsoring employers, and the wider financial system.	Reduction in deeming rates (social security purposes)	No measures to relax funding requirements before plans have to reduce benefits; relaxation of special payments for solvency deficiencies	In Chile, a fund of US 2.000 has been created; this fund will be used to give benefits to the most vulnerable families	GPs: There are NO federal regulations or guidance relative to funding. MPs: No measures to relax funding requirements

	Some EU member states are allowing longer or more flexible recovery periods to recover from underfunding. In some member states national competent authorities are providing recommendations on investment policy, guidance on schemes funding and more flexibility on deviations from investment policy.				

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Liquidity	At EU level, EIOPA called on NCAs to monitor the liquidity position of IORPs carefully and proportionately. EIOPA recognizes that IORPs may face significant liquidity pressures due to: • delayed or missing contributions from employers and employees; • the potential need to cover cash margin calls on derivative hedging positions; • any moratorium on payments on loans and mortgages; • expected declines in dividend payments on IORPs' equity holdings;	No specific measures taken to date though joint regulator statement stated one of the primary areas of regulatory focus	No specific measures taken to date	In Chile, the state will be guarantor of certain loans made to SME's. Also, it was proposed that pension funds be invested in SME's. In Mexico, it was proposed that pension funds be invested in stabilized government assets and CONSAR established that, in the face of the Covid-19 emergency, the unemployment withdrawals of workers contributing to the IMSS must be settled in a single installment. In Peru, it was proposed that pension funds could be used as a guarantee for low cost loans. In	GPs: There are NO federal regulations or guidance relative to liquidity. MPs: There are no measures to relax zone determination metrics, which encompass liquidity measures

	• difficulties in selling assets under current market circumstances. Our members identified the missing contributions as the most pressing factor. As a national example, the Belgian NCA has requested to be notified by IORPs without delay should the valuation or trading of certain assets in their portfolio be suspended. Particular attention should be paid to collective investment instruments which, in view of the current market conditions, should take special liquidity measures			Colombia and Costa Rica the withdrawal of unemployment insurance funds was approved for workers affected by the Covid-19 Crisis	

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Mandatory pension commencement/ withdrawal	**Liquidity risk due to early withdrawal is generally not an issue in EU countries**: in several countries early withdrawal is not allowed and the majority of those that allow it under strict conditions are not experiencing liquidity risks as the number of requests are closed to the usual levels. The **exception is Spain**, where Inverco envisages an increase in redemptions due to the recent measures adopted by the Government. The Spanish government adopted a new measure that opens the possibility for individuals affected by the crisis to withdraw	Temporary reduction in minimum account-based pension drawdown requirements	No change in current requirement that members must commence a pension no later than December of the year they turn 71		The SECURE Act (passed in 2019) increased the age at which individuals must start distributing retirement plan assets to 72 from 70½

	their pension savings in order to achieve additional liquidity and complete their income. People are able to withdraw their assets from pension funds up to their wage losses resulting from the crisis. Inverco highlights that this would probably generate higher sales of assets concentrated in a short period of time, thus distorting the normal functioning of the markets. Spanish pension funds may need to adopt measures to address liquidity issues such as increasing their liquidity rate.				

(1) While not strictly a pensions issue employment stimulation funding impacts plan funding