International Labour Organization

Technical Note 1

April, 2020

National pension funds: a review of governance structures, management and international practice

Key Points

- Reserve Funds play an important role in ensuring assets are managed in an appropriate way taking into account liabilities, objectives and pooling and solidarity objectives

- Good management and governance structures are essential to ensure objectives are met and some of the principles are highlighted in this note

- The note also sets out a review of experiences of France, Germany, Switzerland, United Kingdom, Canada and the United States, and Japan, South Korea and Taiwan (China).

- Canada provides a model of independent pension fund management. United States and the United Kingdom are at the other extreme of management under State administration.

Contents

Introduction

1. Social security pension fund reserves are generally set up to manage accumulated assets resulting from an excess of contributions over benefit payments.

2. The main reason for the establishment of reserve funds is to maintain relatively constant contribution rates of a specified period to the social security system in anticipation of future ageing (e.g. in the United States of America’s social security administration). For shorter term benefit provision (e.g. disability, unemployment etc..), funds are also built up as a buffer against volatility in claim levels and future increases in claim rates (e.g. Germany has relatively low levels of reserves in pensions with only a small stabilisation fund for short-term unanticipated needs for funding, for example due to shortfalls in contributions due to economic crises).

3. Good governance and management structures are essential to ensure objectives are met. The funding objectives should be influenced by the nature of underlying liabilities (level, timing, variability), attitude to risk, management and governance capacities and characteristics of local capital markets. The governance and management structures will also be influenced how decentralised or centralised the approach will be depends, whether there is a cross subsidy between regions as well as local investment options and attitude towards diversification of risk.

4. The first part of this paper sets down some key governance requirements and management approaches. The second part of the paper focuses on country examples in the management of assets but also with selected examples of countries or regions where funds are used to support solidarity and cross subsidies.

5. Some reserve funds are significant in size and will require exceptional management and governance structures. Their large size also allows investment in what can be considered as more social useful investment choices such as infrastructure[1] as well as influence corporate decision making through its role as a key investor. They can concentrate investment experience in one place and benefit from economies of scale compared to a large number of smaller funds. The disadvantages of a centralised approach are a concentration of risk, the possibility of distorting capital markets and being less able to judge the risk and returns of local investment opportunities.

6. However, the funding levels can also be extremely important. Japan and Korea’s second pillar pension schemes have the highest levels of funding in the world (see Table 1).

7. The reserve funds under analysis in this note are state pension or mandatory state required supplementary provision in France, Germany, Switzerland, United Kingdom, Japan, Korea, Canada, United States and Taiwan, China. With the exception of the latter (a fully funded scheme), they are all partially funded social security pension systems. Pensions are paid by the revenue obtained from current contributions and part of the revenue is set aside for the payment of future liabilities. In other words assets are constituted in a reserve fund, which is

[1] See ISSA Report on ’Infrastructure Investment for Reserve Funds’: https://ww1.issa.int/infrastructure

assigned to finance future obligations of the social security system.

Table 1: Selected pension funds in top ten, 2019 or latest (year end, USD millions)

Ranking	Fund	Market	Overall assets
1.	Government Pension Investment	Japan	1,478,578
4.	National Pension Service	South Korea	573,155
7.	National Social Security	China	437,900
8.	Canada Pension	Canada	287,410

Notes: [1] Estimate; [2] as at 31.03.2019. Source: Authors based on 2019 Data from OECD Pensions at a Glance and Willis Towers Watson, https://www.willistowerswatson.com/en-CH/News/2019/09/top-20-pension-funds-aum-declines-for-first-time-in-seven-years

Governance and Management Overview

8. Appropriate investment governance structures and mechanisms ensure effective management of social security reserve funds. Investment Governance is important because:

- Social security must meet its benefit obligations in different time horizons.
- Risks are more complex and the external environment more challenging than ever before.
- Effective management improves the financial position of social security systems.

Structures

9. Governance structures and reporting procedures should respond to an overall objective of protecting the interests of the beneficiaries of a social security scheme. The responsibility of the Board[2] is crucial in this respect. It is essential that legislation clearly sets out the Board's powers and responsibilities and maintains its independence from outside interference. Reporting to a Ministry should strengthen accountability but not jeopardise this independence.

[2] The board is the group of persons who, under the legislation or by-laws establishing the social security organization, is responsible to govern the social security programme and to exercise oversight on its administration. The organization could be a government ministry or department, a statutory body or a private entity. The management is the group of persons who, under the legislation or by-laws establishing the organization, is given the responsibility for the administration and daily operations of the social security programme.

The CPPIB manages the Canada Pension Plan's (CPP) reserve fund. The CPP is a public pension plan within Canada's pension system. It is funded with payroll deductions. The CPPIB is accountable to the Canadian Parliament, provincial finance ministers, and the federal finance minister. Although the CPPIB is a federally owned corporation, its founding legislation, the Canada Pension Plan Investment Board Act, ensures its independence from the government, enabling it to single-mindedly pursue its sole long-term objective of maximizing returns without undue risk of loss. While the CPPIB maintains independence from the government and a high level of expertise, its Board of Directors is responsible for oversight of the CPPIB's executive team from the CEO down, and is heavily accountable to the public. The CPPIB's chairperson and CEO are legally required to visit all Canadian provinces (normally nine cities) twice annually to meet directly with CPP participants and beneficiaries. (Horie, 2017:9-10)

10. The mandate to manage and invest the reserve funds of a social security programme is established by legislation (or, in some countries, by policy or decree). Legislation may establish the general investment strategy and prescribe the types of allowed investment instruments and limits on investment in certain asset classes. Whilst an overall objective may be set by legislative instrument, carrying out the strategy and the investment policy itself will be the responsibility of the social security institution.

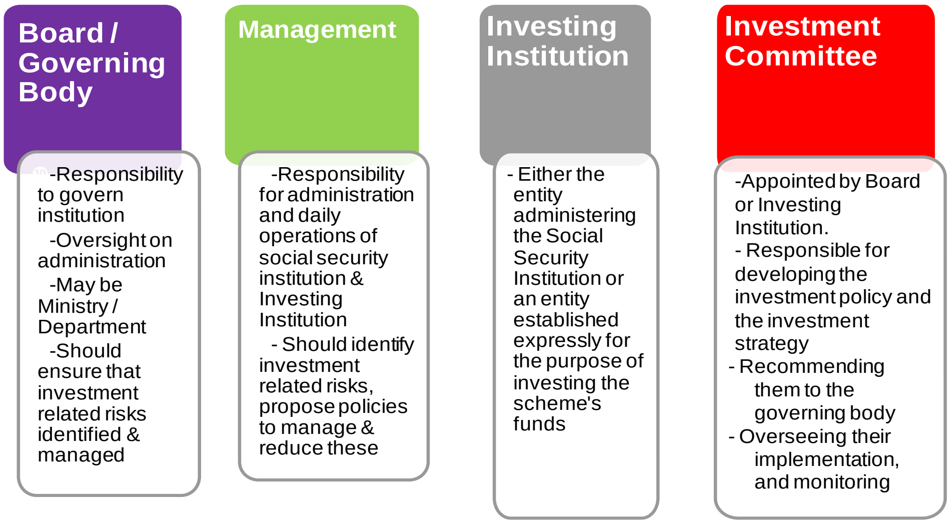
11. The investment governance structures to put in place for an institution therefore depend on a range of both internal and external factors. It is important to match the governance capabilities of the institution to the external context. The structures put in place form the basis of a fund's investment abilities and are therefore central to its success. There are no right or wrong investment structures but whatever is put in place needs to ensure risk is managed effectively, the desired governance budget is respected and the decision making process is as efficient and effective as possible. Value judgments will often be required as objectives may be conflicting - a leaner structure with greater autonomy will allow quicker decision making whilst a great governance budget with more peer review steps increases control and arguably, accountability but at the expense of greater cost and less agility.

12. The separation of responsibilities between the investing institution, investment committee, management and board or governing body level (this latter can be a Ministry or have Ministerial representation) needs to be defined and consistent with governance capacity and fund objectives.

13. Often investment committee decisions will be more directed to day-to-day running of the fund, whereas the Board should focus on high level, strategic issues. This should also reflect the relative strengths of each body – i.e. the Board has the full strategic picture of the fund and key stakeholders in mind, and can therefore make effective decisions at this level; the Investment Committee will have greater insight into the detail of the investments, and can therefore make better informed decisions at this level. Both the board and management must have the technical expertise to evaluate and decide on the merits and risks of the investment policy. Legislation establishes the legal liability of the board and management for fraudulent investments and may set down competency and experience criteria for members of the Board (if not, the social security institution should do this).

14. The typical responsibilities including decision making will therefore reflect these realities.

Figure 1. Typical responsibilities of different bodies



Source: authors

Figure 2 below outlines a possible division of responsibilities between these bodies in relation to different phases of the cycle of assets and investment management. Each institution will differ depending on the characteristics referred to in 3 above, but Figure 2 sets out the importance of clarifying the responsibilities of the different stakeholders.

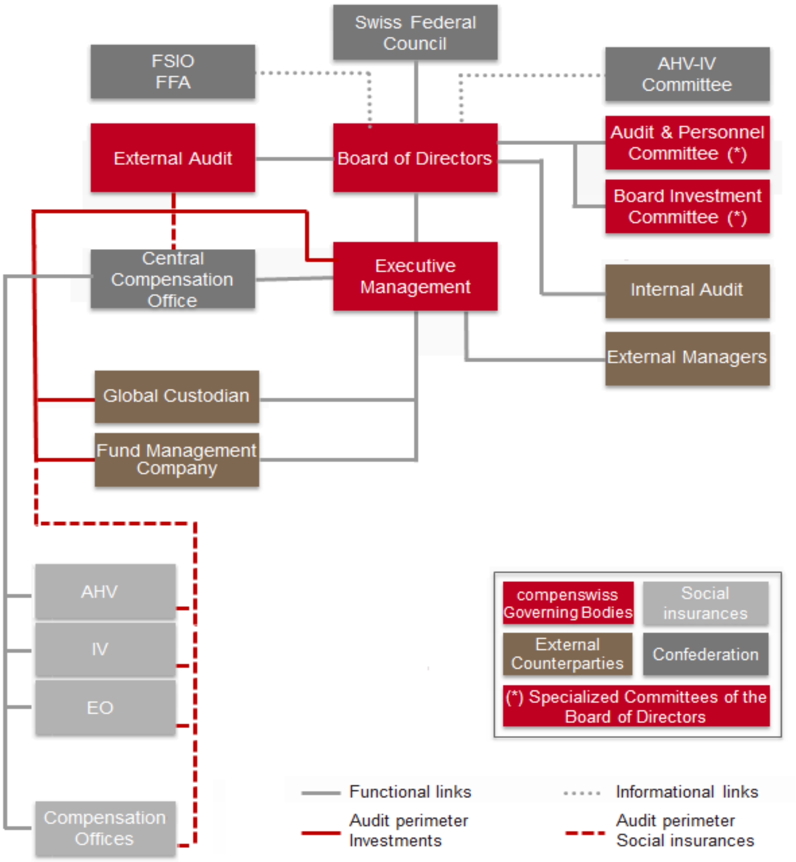
Figure 2. Possible decision making matrix for a social security retirement reserve fund

	Input	Owner	Approve	Oversee	Review frequency
Liabilities (where relevant)	External	ALCO	IC	Board	Annual
Mission, goals and beliefs		IC	Board	Supervisory Board	Annual
Strategy		IC	Board	Supervisory Board	Quarterly
Portfolio construction	CIO	IC	Board	Supervisory Board	Monthly
Monitoring	CIO	Risk committee	IC	Board	Monthly

Note: CIO = Chief Investment Officer; IC = Investment Committee; ALCO = Asset Liabilities Committee

The governance framework will also set out how inv management fits in with the broader organisational structure including external stakeholders. For example, in Switzerland the organisational chart clearly sets out the link between these bodies.

Figure 3 Organisational Structure for management of social security funds in Switzerland



Note: Old Age and Survivors' Insurance (AHV), Disability Insurance (IV) and Income Compensation Insurance (EO).Source: website[3]

[3] See also https://www.compenswiss.ch/governance/en/?Page_Name=org&page_lang=en

Compenswiss is responsible for centralising the management of the liquidity and the assets of the Old Age and Survivors' Insurance (AHV), Disability Insurance (IV) and Income Compensation Insurance (EO) schemes in Switzerland since 2019.

The Board of Directors is the governing body of the institution. It comprises eleven qualified members including Swiss employer and employee associations. The representatives of the Federal Social Insurance Office and the Federal Finance Administration participate in an advisory capacity. The Federal Council appoints the auditor at the request of the Board of Directors. The Board of Directors is assisted in preparing its business and relieved of delegated responsibilities by two specialist committees: the Investment Board Committee focused on asset management, the investment process, adapting related regulations and the regulation of fund management. The Board Committee on Audit & Personnel issues relating to organisation, staff regulation and internal and external audit.

The Executive Management is the Institution's operational management body. It is headed by a Chief Executive Officer. It conducts the business, prepares the business of the Board of Directors and of the committees, prepares the budget for the Institution's operating and administrative expenses, reports to the Board of Directors regularly and in the case of special events immediately.

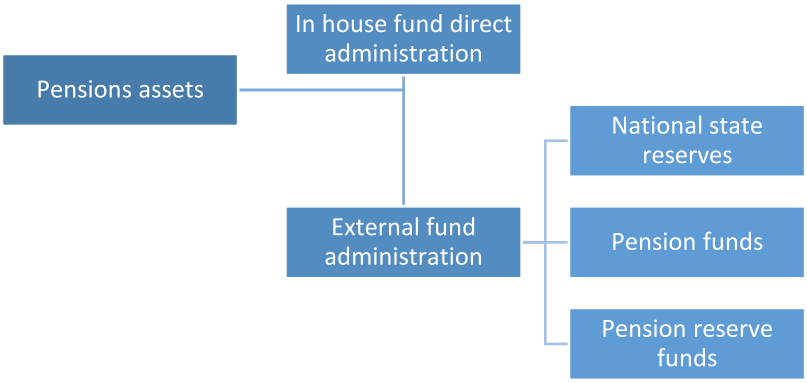
Management of fund assets

15. It is important as the fund develops its internal capabilities that there is strong and constructive collaboration between the oversight functions and the internal teams. This ensures that there is rigour and discipline to what the internal investment function does.

16. Reserves may therefore be managed in a specific investment department within the administration of social security, or as a legally separate and independent institution (e.g. CPPIB in Canada). The investment function is tasked to ensure fund investment is in line with the objectives of the fund and ensures proper reporting and accounting of the fund. The decision to outsource investment operations to an independent institution instead of keeping it in the original fund depends on the size of the fund's reserves and on the fund's capacity to attract and retain investment professionals.

17. The management of pension fund reserves may also be insulated or not from the management of Government fiscal resources. In some cases (Brasil, United States of America) the Ministry of Finance manages social security fund reserves, and in other countries the separation in law has been recent (Portugal, France). When insulated, the various responsibilities of social security assigned by Government (for example with solidarity pensions, or social security exemptions) largely determine the funding framework under which social security rests (France). Government may also determine by law, limited investment strategies (Government bond securities as in United States).

Figure 4 Types of pension asset management institutions



Source: Authors

18. The autonomy of public pension fund management varies. Canada, has been heralded as a model of an independent pension fund investment agency. Whilst under the supervision of parliaments and ministries of finance, the funds' investment decisions are taken independently. In that case, supervisors set benchmarks for the distribution of funds across asset classes and provide guidelines for investment to comply with sound market practices and internationally agreed standards but investment decisions within the provided framework are taken by the fund managers in order to avoid government-directed investment to specific industries or companies.

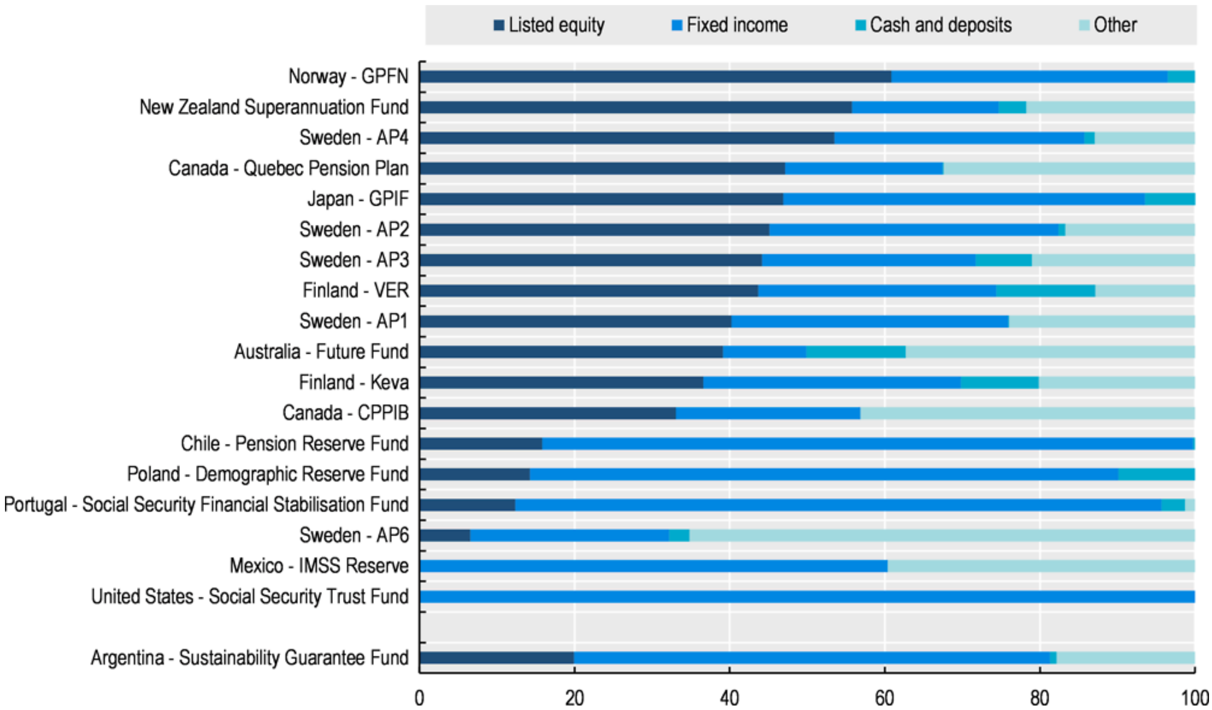
19. Both internally and externally imposed restrictions on investment management will influence asset choices[4] . Internally imposed limits may be imposed to recognise governance capacity and ensure consistency with investment missions and goals and may include rules such as a minimum level of cash assets to be held, investment in any single asset should be limited or an institution should not hold more than a specific proportion of the total market value of a given type of asset. Externally imposed limits will typically define minimum and maximum allocations

The financing of a social insurance program may be characterized by the importance of investment income in the program's total revenues over the projection period. Canada Pension Plan instituted two accounts: one is partially funded and a new fully funded account - the additional CPP. In this new account investment income is expected to represent about 70% of total revenues (investment income plus contributions). As a result, a fully funded plan is directly sensitive to changes in the assumed rate of return on investments, difference in the returns subsequently achieved, compared to those expected. At the other end of the funding spectrum, a completely unfunded plan (or "pay-as-you-go" plan) holds very little assets. It must balance total contributions paid in and total benefits paid out each year. It is most sensitive to demographics – life expectancy, birth rate, immigration rates – and economic changes, including the level of employment and rate of real wage growth. The base Canada Pension Plan (base CPP) is a partially funded plan. The Chief Actuary estimates that the investment income will represent about 30% to 35% of total revenues. A partially funded plan is sensitive to all risks discussed above in differing amounts, depending on the relative size of investment income and contributions. Most important, it is less sensitive to investment returns than a fully funded plan.

[4] See ISSA Investment Guidelines, Guideline Number 8. https://ww1.issa.int/guidelines/invest

to specific asset classes and allowable assets. They seek to ensure proper disclosure of compliance with limits and that the impact on risk and return profile of portfolio is assessed.

Figure 5 Allocation of assets in public pension reserve funds in selected countries, 2017 or latest year available (% total investment)



Source: OECD Annual Survey of Public Pension Reserve Funds.[5]

20. In respect of asset allocation, the key driver is the underlying liabilities, particularly the timings and levels of future cash flows. Therefore asset allocation practice between different countries is difficult to compare. Whilst the AP funds in Sweden have generally long time horizons[6], reserve funds in the USA, Switzerland and the UK have much shorter time horizons and therefore much higher proportions of assets in cash and fixed income.

21. The ability of national pension funds to mobilize resources for development has been important in most countries. This should not be seen to be in conflict with the autonomy of the investment fund as firstly, this type of asset class should be consistent with the defined objectives of the fund and secondly, there is increasing recognition that such social investments in reality have rates of return comparable to 'non- social' investment especially when externalities are taken into account. The largest national fund reserves in the world today are still used for long-term public investment purposes. This reflects the necessity to match long-term pension fund obligations with long-term returns. In some cases, pension funds have

[5] https://doi.org/10.1787/888934042466

[6] For example, AP4 has a stated philosophy of 'long- termism': https://www.ap4.se/en/about-ap4/

also assumed more activist investment policies in corporate private sector (Korea, Japan).

Size of fund, pooling and relationship between central and local investment functions

22. From the perspective of international social security standards, the principles of universal coverage and collective sharing of social security costs call for broad national funding pools through social insurance contributions, taxes or a mix of both.

23. This ensures national solidarity and equitable access to income protection in the event of a loss of income arising from the emergence of social risks, regardless of the level of income (vertical solidarity) or other individual or family characteristics (such as disability or the number of children: horizontal solidarity). The larger the pool of people sharing risks, the more viable insurance coverage is likely to be. National pools spread the occurrence of risks over larger groups of people (risk spreading) and redistribute those risks as groups more at risk benefit from the solidarity of groups less at risk (risk equalization).

24. Pool fragmentation tends to be associated with system fragmentation, and potential inequities and inequalities between people in different pools. According to ILO, legislation should therefore favour unified schemes and avoid system fragmentation (ILO, 2004:405). However, solidarity has historically manifested first within confined geographic, occupations or sector circles. Over the past two decades, most countries have embraced the objective of universal coverage. One of the reasons for more universalist social security institutional frameworks have to do with the changing nature of labour markets and the impact of demography unevenly across geography, occupational or economic sectors which have imbalanced narrow based social insurance pools. Where social security is not universal across the country, solidarity mechanisms came to play through compensation mechanisms between social insurance organizations, including through mergers, and via support from the State.

25. National pension funding pools bring about economies of scale due to the presence of fixed costs for example in asset management[7]: a large pension fund has lower management costs relative to assets under management, allows for a more efficient allocation of funds to internal and external management processes. Another economic rationale is that it enables government to influence corporate decision-making via the boards (although such interference has been criticized by social partners in some countries).

26. From the administration side, a national funding pool has also been evoked as a way to increase state supervision over social security financial management. This is necessary due to an increased mix of social security sources of revenue involving various forms of transfers from the state, and the need to reduce the complexity and increase the scrutiny over those transfers. In addition, there has also been a concern over the need to exercise more oversight over operational and management risks, in particular inefficiency and fraud, notably from investments. These are compounded in case of separate funds.

[7] https://www.asiaasset.com/post/7791-20180704-epf-soso-es

27. Another consideration in relation to unification of social security pools has to do with the ability of larger national pension fund to facilitate long-term capital infrastructure investments in the country, contrary to smaller more localized investments. The largest national fund reserves in the world are public pension fund reserves, extensively used for long-term public investment purposes due to necessity to match long-term obligations with long-term returns.

28. Even in a centralised system, there are likely to be local investment functions whose main role is to collect contributions and pay benefits. Whilst strategic asset decisions and long term investment are likely to be decided and carried out centrally, these local functions may need to manage cash flow and make decisions on asset allocation over a short term time horizon. It is likely and advisable that they hold enough cash and short term liquid assets to provide a margin against a delay in receiving contributions, an increase in benefit payments or an economic or other shock. Therefore certain governance and reporting structures will still be needed for these local functions.

29. There are also challenges that need to be managed in the centralisation of all investment functions in one institution. One key issue is the concentration of risk in one investing institution; this is particularly an issue if assets under management are large. In addition, a single large investor's investment choices can lead to distortions in capital markets. In such a situation, having more than one investing institution can be an advantage through increased diversification but also through an environment of encouraging different ideas and approaches to investment management. For example, in Sweden assets are split into four AP[8] to spread the risks in asset management. The National Pension Insurance Funds (AP Funds) Act sets the investment framework but the board of each Fund makes its own asset allocation decisions.

30. The pooling of risks and cross subsidies between different sectors of the population ensure solidarity approaches are followed. When there are more than one reserve funds in a country, such compensation for risk or solidarity needs to be explicit. For example, the United Kingdom has one reserve fund for England, Scotland and Wales and another for Northern Ireland. There is an explicit transfer mechanism from the first to the second fund to reflect the different financing situations[9].

31. In certain supplementary systems there is a central fund whose aim is to act in effect as a source of insurance in case of insolvency of the parent company and an excess of liabilities over assets. One example is the Pensions Protection Fund[10] in the UK which is financed by a levy on pension funds. This levy is split into two components:
    a. A per scheme levy based on total liabilities
    b. A risk based levy which is based upon the assessed risk of the pension scheme and

[8] See https://www.ap1.se/en/about-ap1/more-about-the-pension-system/

[9] To ensure the balance of the Northern Ireland Fund is maintained, as far as practicable, at 2.87% of the joint balance of the two Funds. The Government Actuary assesses the level of payments bases on the relevant proportions of population of working age in Great Britain and Northern Ireland

[10] See https://www.ppf.co.ukand https://www.ppf.co.uk/levy-payers/what-levy-and-who-has-pay-it/how-calculate-levy for derails of calculation of levy/

aims to encourage pension funds to seek a higher funding level (Levy depends on level of underfunding)

United Kingdom's Pensions Protection Fund

The pensions protection fund in the United Kingdom is a statutory public corporation led by a board and accountable to Parliament through the country's Secretary of State for the Department for Work and Pensions (DDW). Its purpose is to protect people with an occupational defined benefit pension when an employer becomes insolvent (second tier supplementary funds). In addition, Part of PPF, the Fraud Compensation Fund pays compensation to occupational pension schemes which have lost out financially due to dishonesty.

The Fund's governance framework indicates that DWP will respect the independence of operational governance of the Board and specifies the duties and obligations of the various governance bodies. The Board helps hold the fund accountable and oversees the funds' activities. It also performs some functions given to it by law, such as setting a levy on pension schemes.

The Secretary of State for Work and Pensions appoints the Chairman of the Board. The other members are appointed by the Board. They are selected on the basis of their diversity of experience and competence. The Board set up a number of committees, including: Investment Committee, Nomination Committee, Non-executive Committee, Reconsideration Committee, Remuneration Committee, Risk and Audit Committee.

PPF Governance framework: https://ppf.co.uk/sites/default/files/file-2020-02/ppf_framework.pdf

Administrative and investment management costs

32. Normally administration and investment costs are paid from the investment fund itself and not from an external source. These costs include staff costs, reporting, investment management costs, cost of premises etc. The expense ratios of the large reserve funds shows the advantages linked to the economies of scale of centralising investment of funds. For example, the Swiss reserve fund has an expense ratio of just 20 basis points (0.2% of funds under management)[11] one of the lowest figures worldwide for an institutional investor. In the United Kingdom, administrative costs are also paid by the fund but include all aspects linked to the management of the state pension system including the collection of contributions, award and payment of benefits, actuarial valuations and other expenses. In effect, although the fund doesn't carry out these tasks it reimburses the assessed cost to the relevant department or Ministry. In 2019[12], total administrative costs amounted to GBP 739 million, approximately 0.7% of income received.

[11] Compenswiss, Annual Report 2018

[12] Great Britain National Insurance Fund Account, year to 31.3.2019

Country Examples

33. This paper analyses the cases of France, Switzerland, Germany, United Kingdom, Japan, Korea, Canada, United States and Taiwan, China by showcasing the nature of the funds, their governance and management in their specific national contexts. Information was derived from web sites of the institutions and referenced official documentation.

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ISSA (2019). Investment Guidelines

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Yermo, J. (2008), "Governance and Investment of Public Pension Reserve Funds in Selected OECD Countries", *OECD Working Papers on Insurance and Private Pensions*, No. 15, OECD Publishing.

34. Currently, 80 % of social security funding comes from social security contributions. The remainder of resources are from taxes. Taxes compensate for reduction in social security contributions on low incomes determined by the State (12% of revenue), transfers from other branches (such as unemployment or family, 4%), and other state compensations for special schemes (3%). Considering these charges, in aggregate, social security funds are failing to constitute assets as a basis for financial investment.

35. Due to financial shortfalls and rapid ageing process, social security system in France set up an institution to capitalize revenues from different sources to provide for future payments of social security benefits – the French Pension Reserve Fund FRR. The reserve is originally constituted with proceedings from the privatization of state owned enterprises (Pension Reserve Fund).

36. Since 1996, France decided to manage separately the State debt and responsibilities for future payments of social security. For that, it established a dedicated institution to absorb and fund social security debt through professional debt management (CADES - Social Debt Repayment Fund).

Nature of the institutions:

37. The French Pension Reserve Fund (Fonds de Réserve pour les Retraites, FRR) is a public owned, state-funded agency created in 2001. Its mission is to invest monies entrusted to it by the public authorities on behalf of the general public with the aim of financing the pension system. The fund was set up to guarantee the financial stability of CNAV (Caisse Nationale d'Assurance Viellesse), the retirement branch, Organic (Caisse de retraite des commerçants et des chefs d'entreprises commerciales), the pensions branch of traders, and Cancava (Caisse de retraite des artisans) or pensions branch of craftsmen.

38. The Social Debt Repayment Fund (Cades), is an autonomous central government entity created in 1996. CADES was transferred the amount of social debt with the mission of repaying it by 2024.

Institutional organization:

Governance

39. FRR is governed by an Executive Board and a Supervisory Board. Supervisory Board members include legislators, labour and employer representatives, delegates of ministries under whose general supervision the FRR operates (i.e., the ministries of Social Security and of the Economy, Finance and Industry) and individuals with recognized credentials in fields that are relevant to Fund's stated missions. The Supervisory Board counts twenty members. The Executive Board has three members. It is responsible for directing the agency and for ensuring its efficient operation. It executes investment policy guidelines and ensures compliance with them. The Executive Board reports regularly to the Supervisory Board on its management of the agency, and in particular relates information on the way in which

investment policy guidelines take into account social, environmental and ethical considerations.

40. CADES is supervised jointly by the Minister of Economy and Finance and by the Ministers in charge of social security, who appoint the agency's directors and closely monitor its operation.

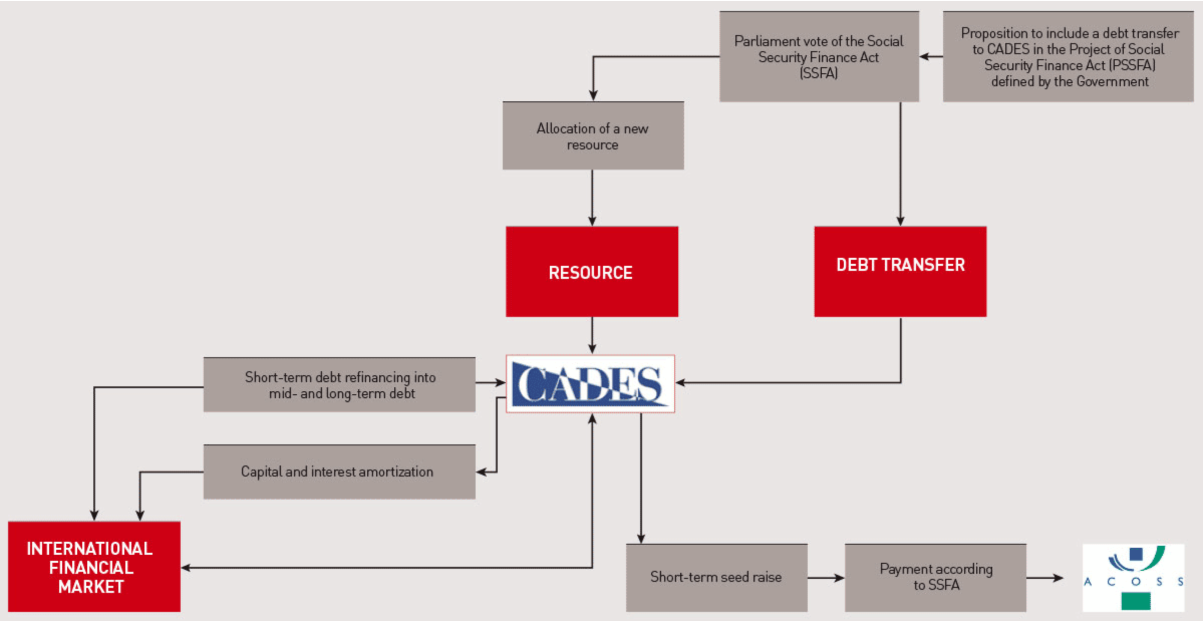
Management

41. The management of FRR assets is entrusted to authorized investment service providers permitted to conduct portfolio management services on behalf of third parties as referred to in paragraph 4 of article L.321-1 of the French monetary and financial Code.

42. As an administrative public establishment, the FRR is required to select its contractors using the French government procurement process (RFP procedures). The employees are mainly coming from the asset management industry, and are specialised in selection of investment service providers.

43. The debt repayment process in CADES is depicted in the figure below. Social security debt is transferred to CADES by vote of parliament. CADES manages debt by selling bonds in the market placed internationally. It raises the necessary resources to pay social security institutions through ACOSS. ACOSS is the "bank" of the Social Security system in France.

Figure 6. Debt redemption process



Source: https://cades.fr/index.php/en/cades/managing-the-social-debt accessed 30.03.2020

Relationships with local governments:

44. FRR and CADES are centralized agencies. They receive revenue from URSSAF and redistribute to decentralized agencies in accordance with the Law. The following side note shows the way social contributions and taxes are collected through local URSSAF agencies. URSSAF collects the contribution for the reimbursement of the social debt (CRDS) on behalf of CADES.

Collection of contributions in France, and the role of local organizations.

In France, the collection of contributions and premiums is carried out by the organization in charge of the collection of social insurance and family benefit contributions through individual agencies at the local level, under the national URSSAF agency. This is the “Unions de Recouvrement des Cotisations de Sécurité Sociale et d'Allocations Familiales” i.e. Organizations for the Collection of Social Security and Family Benefit Contributions. This entity is a network of private organizations created in 1960 spread across France with 101 members, at least one organization per French department. Each URSSAF is a private entity with private law employees controlled by a dedicated Administrative Council made up in equal parts of managers and workers. In the agricultural sector, local CMSA (Caisse de Mutualite Sociale Agricole) dependent on the central national CMSA, collect contributions for farmers and employees through local social security agencies at regional level.

URSSAF are subordinate to the Central Agency of the Social Security Organisations (Agence Centrale des Organismes de Sécurité Sociale, ACOSS). The ACOSS has the task to follow the individual finances of each branch as regards planning and implementation. The contributions collected are distributed according to planning criteria to different social security organizations. URSSAF is supervised primarily by the Ministry for Social Security and secondarily by the Ministry for the Budget, Public Accounts and Civil Service.

45. France tried to set up a single Social Security scheme for all French people at least twice in the past. It did not succeed because many social professional categories wanted to keep their professional schemes. In 2019, a new proposal was voted in Parliament to unify and create a single social security for all in France. Until then, in the face of divergent demographic trends and, above all, very declining regimes, it was necessary to set up inter-scheme compensation. In order to allow loss-making schemes to continue to pay pensions, schemes benefiting from a demographic surplus (mostly related to occupations predominant in urban areas) pay them financial compensation.

Sources of funds and links between FFR and CADES:

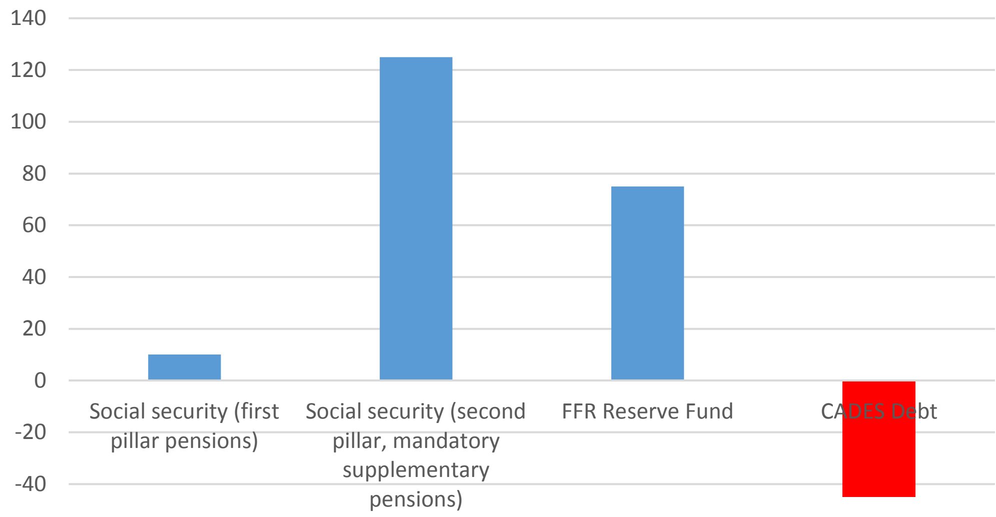
46. At the creation of FFR the target was to build a reserve fund of 150 billion Euro by 2020, in order to support the general social security scheme (“regime general”) during the years 2020 to 2040. These decades correspond to the peak of the "papy-boom" - the transition period during which the generations born just after the second world war will swell the number of pensioners and weigh on the balance of the regimes. The funds were to come from 4 sources: surpluses of certain social security funds, privatization resources, mobile phone licences, stock market transaction tax.

47. After initially receiving funds from the FSV (tax based solidarity fund to sustain minimum pensions) and 1.2 billion Euros from the privatization of the ‘Autoroute’ company (managing highways in France), since 2003, the fund has been funded mainly by 65% of the investment tax of 2%. In addition to the initial endowments, the Fund received dedicated tax revenue and surpluses from the Cnav (national retirement fund) and the FSV. During the 2000s, the Fund’s assets gradually increased, reaching just over 30 billion in 2019, far from the initial objective.

The pension reform of 2010 modified the missions and the financing of the Reserve Fund. The Fund is now exclusively funded by the financial management of assets. The mission to support basic plans between 2020 and 2040 has been eliminated and replaced by an annual payment of € 2.1 billion between 2011 and 2024 for the benefit of the Social Debt Amortization Fund (Cades). These sums are used to finance the deficit of Cnav and FSV for the years 2011-2018. The target of € 150 billion in 2020 has therefore been abandoned, and the amount of assets has stabilized around 36 billion €.

48. The main revenues of CADES are the CRDS, created in 1996 and deducted at source from the wages of working people. The contribution for the reimbursement of the social debt (CRDS) is a French tax created in 1996 with the aim of reducing the indebtedness of Social Security. It is collected by URSSAF. It is set at 0.5% of income from various activities and assets. This contribution should disappear in 2025.

Figure 7. Balance of reserves, end 2017



Source: Conseil d’Orientation des Retraites, November 2019, page 34

Conclusion

49. The pension system's resources amounted to 13.7% of GDP. The net expenditure of the pension system, actually paid to retirees, amounted to 12.7% of GDP in 2018 (this is an amount lower than the revenue received). However, there are financing needs for the pension system, which vary in 2025 between 0.3% and 0.7% of GDP depending on the scenarios. This is because it considers all the additional obligations of the pension system, including with reductions and exemptions of contributions, such that the gross expenditure on the pension system amounts to 13.8% of GDP in 2018.

50. The pension reform currently under discussion should, in principle, eliminate deficits by systematically adapting retirement pensions to demographic factors. A point system will be introduced. When the number of retirees in relation to the active increases, the value of the retirement point will fall, and with it the value of pensions. Conversely, if the number of retirees per working person decreases, pensions will go up. Under these conditions FFR Pension Reserve Fund will no longer be useful for financing deficits and CADES will disappear in 2024.

By this time, the State should recover the approximately 15 billion euros of Social Security debt remaining (compared to the 130 billion euros which remained to be amortized in 2016).

51. The disappearance of CADES could give financial margins to the state. Existing social security taxes could be replaced by other taxes. However, Social Security is rapidly re-indebted, with a deficit of more than 5 billion euros in 2019 and again in 2020. In addition, past deficits have not been transferred to CADES and remain housed in the 'ACOSS (the "bank" of the Social Security). If the sum of these deficits were shifted to the Fund, its existence could have to be extended again, further delaying the availability of any resources.

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http://www.fondsdereserve.fr/en

https://www.la-retraite-en-clair.fr/retraite-france-monde/systeme-retraite-france-grands-principes/fonds-reserve-retraites?gclid=EAIaIQobChMIrO-3oJHB6AIVT6qaCh2NdAx6EAMYASAAEgKipfD_BwE

https://www.lemonde.fr/les-decodeurs/article/2019/12/06/le-systeme-de-retraites-a-t-il-150-milliards-d-euros-en-reserve_6021973_4355770.html

https://www.lesechos.fr/economie-france/social/le-trou-de-la-secu-resorbe-dici-2024-1162445

https://www.cor-retraites.fr/

52. The Federal Social Insurance Office (FSIO or BSV) is the national centre of expertise on policies related to old-age, invalidity and the family. It plans, manages and monitors the corresponding social insurance systems to ensure that they function effectively. It controls the work of implementing institutions and prepares the alignment of implementation with the law. It oversees old age first, second and third pillars.

53. Compenswiss is the organisation responsible for centralising the management of the liquidity and the assets of the former Old Age and Survivors' Insurance (AHV), Disability Insurance (IV) and Income Compensation Insurance (EO) schemes. AHV is the cornerstone of the Swiss social insurance system. It grants pensions of two basic types: old age pensions to people of retirement age, and survivors' pensions to spouses or dependent children of a deceased insured person. The state-run old-age insurance is based on the pay-as-you-go system, with the money collected in contributions by AHV flowing to the current cohort of pensioners.

Nature of the institution

54. Compenswiss is an independent public law institution with its own legal personality established by the Confederation to administer AHV and other Swiss social security funds' assets. It is governed by the Federal Act on the Institution for the Administration of the Swiss Federal Social Security Funds AHV, IV and EO (Social Security Funds Act see reference below). It is part of the decentralized federal administration under the Government and Administration Organization Act and the Government and Administration Organization Ordinance.

55. The Institution administers the following Swiss Federal Social Security Funds: the social security fund for old age and survivors' insurance (the AHV/AVS Social Security Fund), the social security fund for invalidity insurance (IV/AI Social Security Fund); the social security fund for the loss of earnings compensation scheme (EO/APG Social Security Fund).

56. Compenswiss has two core tasks:
1) to ensure that the AHV, IV and EO benefits can be paid at all times.
2) to invest the assets safely while providing market returns.

Governance

57. Compenswiss is managed by a Board of directors appointed by the Federal Council[13]. Its seat and its staff are located in Geneva. The Institution is subject to administrative supervision by

[13] The Federal Council is the seven-member executive council that constitutes the federal government of the Swiss Confederation and serves as the collective head of state and of government of Switzerland. While the entire council is responsible for leading the federal administration of Switzerland, each councillor heads one of the seven federal executive departments

the Federal Council.

58. The Federal Council exercises its supervision in particular by appointing and removing the members of the Board of Directors, its Chair and Vice-Chair, approving the Institution's personnel ordinance, approving the annual report; discharging the Board of Directors. It may at any time inspect any of the Institution's business documents and request information on its business operations.

Structure

59. The governance and management bodies of the Institution are the Board of Directors, the Executive Board and the Auditor.

60. The Board of Directors is the supreme governing body. It comprises eleven qualified members, who must guarantee irreproachable business conduct. Appropriate representation for insured persons, Swiss trade associations (employers) and the Federal government is ensured. A representative of the Federal Social Insurance Office and a representative of the Federal Finance Administration attend the meetings of the Board of Directors in an advisory capacity. The Federal Council determines a profile of requirements for holding office on the Board of Directors. The Federal AHV / IV Commission submits proposals to the Federal Council, which then appoints the 11 members of the Board of Directors, including the Chairman and Vice-Chairman. It appoints the members for a term of office of four years. Each member may be reappointed twice and removed at any time for good cause. Board of directors must submit the annual report with the balance sheets and the operating statements of Compenswiss to the Federal Council.

61. In order to ensure efficient handling of its extensive business, the Board of Directors has delegated various tasks and responsibilities to a Board Committee. It is also assisted in preparing its business and relieved of delegated responsibilities by two specialist committees: the Investment Board Committee focused on asset management, the investment process, adapting related regulations and the regulation of fund management. The Board Committee on Audit & Personnel issues relating to organisation, staff regulation and internal and external audit. Both committees report to the Board of Directors.

62. The Executive Board is the Institution's operational management body. It is headed by a Chief Executive Officer. The Executive Board conducts the business, prepares the business of the Board of Directors and of the committees, prepares the budget for the Institution's operating and administrative expenses, reports to the Board of Directors regularly and in the case of special events immediately.

63. The Federal Council appoints the auditor at the request of the Board of Directors. The auditor is responsible for auditing the Institution, including the annual financial statements of the AHV/AVS, IV/AI and EO/APG. It examines the annual financial statements for asset management and confirms that internal control and risk management systems are in place; it also examines the information on personnel development disclosed in the management report.

Management

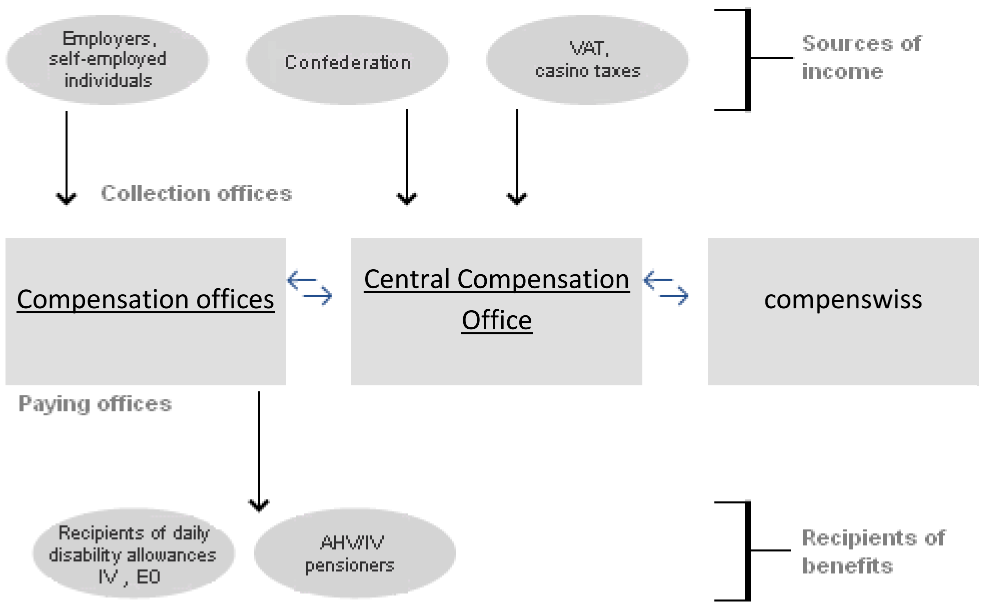
64. Day-to-day responsibilities are fulfilled by the Management Office of the Social Security Funds, which reports to the Board of Directors. The Social Security Funds are separate legal entities. The Board of Directors (selected by the Federal Council) is responsible for all three.

65. Each social security fund has its own segregated pool of assets within the Institution. These are managed jointly. A separate investment and risk profile is to be defined for each social security fund. As a rule, the assets of the social security funds are jointly invested. The share of each social security fund in the jointly invested assets and in the return on investment is determined by the degree to which it participates in the individual investments. The assets of the social security funds must be managed in such a manner that each social security fund is guaranteed the best possible relationship between security and achieving a return consistent with market conditions in accordance with its investment and risk profile. Each social security fund must retain sufficient liquidity at all times in order that the compensation offices. Each fund may receive advances required to provide the statutory benefits under the AHV/AVS, IV/AI and EO/APG.

Resources

66. All AHV, IV and EO contributions are paid to Compenswiss. It therefore receives all income. The money required to pay all statutory AHV, IV and EO benefits due is made available by Compenswiss. The institution is therefore also debited for all expenses. The following graph provides a simplified view of the interconnections:

Figure 8 Flow of resources at Compenswiss, 2019



Source: Compenswiss website.

67. The social insurance schemes (AHV, IV and EO) are financed by a pay-as-you-go system. The income is used to finance the benefits. The laws regulate the income and benefits separately. This means that the benefits do not depend on the amount that is received, and the contributions are not determined on the basis of the benefits that must be provided.

68. The income received in the form of a "percentage of salary" (AHV, IV and EO) depends on the total wages and salaries paid to Swiss employees and the income earned by self-employed individuals in Switzerland. The income received from the value added tax (AHV and IV) depends on the total sales of products subject to value added tax. The income from casino tax (AHV) depends on the turnover of these institutions. Only the contributions paid by the Confederation (AHV and IV) are determined on the basis of the actual expenses.

69. The expenses of the AHV are determined by the number of pensioners and the pension structure (retirement pensions for single persons and for married couples, widow's and orphan's pensions). The expenses of the IV are mainly determined by the number of disability pensioners and the number of new people who become disabled. The expenses of the EO are primarily determined by the number of days of military service and the number of births.

70. This situation means that the operating result that applies to the AHV, IV and EO can almost never be in balance. Compenswiss' assets or portfolio enable the institution to finance the statutory benefits even in years when it does not receive sufficient income. The assets therefore serve as a "cushion". If the accounts close with a surplus of receipts at the end of a year, the assets increase. If they close with a shortfall, the assets decrease.

Synthesis and conclusion

71. Compenswiss is responsible for centralising the management of the liquidity and the assets of the Old Age and Survivors' Insurance (AHV), Disability Insurance (IV) and Income Compensation Insurance (EO) schemes. The reserves from Old Age and Survivors' Insurance (AHV), Disability Insurance (IV) and Income Compensation Insurance (EO) are pooled and invested jointly. Each fund may receive advances required to provide the statutory benefits under the AHV/AVS, IV/AI and EO/APG.

72. However, the accounting systems of the three funds are managed separately. Each fund has a separate investment and risk profile and its own segregated pool of assets within the Institution. Finally, each social security fund must retain sufficient liquidity at all times in order that the compensation offices.

73. As a new institution, Compenswiss reorganized the institutional framework of investment of basic social security reserves in Switzerland. It instituted a new integrated governance and management system which follows a model of separating between supervision and execution of reserve management (two boards). In addition, a private audit firm started operating as external auditor in place of the Federal Audit Office, with effect from financial year 2019.

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https://www.bsv.admin.ch/dam/bsv/en/dokumente/themenuebergreifend/ausgleichsfondsgesetz_2019_en.pdf.download.pdf/ausgleichsfondsgesetz_2019_en.pdf

Brochure "Switzerland's old-age insurance system: A tried-and-tested system – in simple terms" https://www.bsv.admin.ch/dam/bsv/en/dokumente/themenuebergreifend/broschueren/Altersvorsorge_Basis.pdf.download.pdf/Altersvorsorge_Basis.pdf

Germany - Deutsche Rentenversicherung Bund (DRV - B)

Source: https://www.deutsche-rentenversicherung.de/DRV/EN/Home/home_node.html

74. Germany does not have a national pension reserve fund. Since the merger of its social insurance schemes in 2005, funds are distributed to national and local level social insurance funds to manage. The pension system’s financial model ensures equilibrium of social security finances over the medium term.

75. In addition, the German statutory pension insurance fund – federal organization - holds a small ‘sustainability fund’ to ensure liquidity of payments in the short term in case of small fluctuations in financing needs (for example due to lower contribution revenue in case of higher levels of unemployment).

Nature of the institution:

76. The Deutsche Rentenversicherung Bund is a public law corporation with self-administration.

77. The Deutsche Rentenversicherung Bund has a dual function: As a regional pension fund, it looks after customers of the former Bundesversicherungsanstalt für Angestellte (BfA), and it represents common federal issues at a higher level for all regional pension funds.

78. The German statutory pension insurance scheme holds a small ‘sustainability fund’. The fund is equal to 0.2 and 1.5 of monthly pension expenditures contribution rate and is used to avoid erratic movements and pro-cyclical adjustments over the economic-cycle.

Institutional organization:

Governance

79. The statutory pension system is operated by the German Federal Insurance Fund and is supervised by the Federal Ministry of Labour and Social Affairs (Bundesministerium für Arbeit und Soziales, BMAS).

80. Self-governing bodies of the Deutsche Rentenversicherung Bund (DRV - B) are:

- Representative Assembly**:** The 15 members of the assembly of representatives are determined by the social election. Alternating chairpersons of the meeting of representatives of the German Pension Insurance Federation
- The Federal Representative Assembly: It consists of 30 members, who are elected by the insured and employers of the German Pension Insurance Federation, two members each from the self - governing bodies of the regional bodies and two members from the self-administration board of the federal level. Tasks include the decision on basic and cross-cuttings tasks of pension insurance in Germany

81. The day to day management is performed by an Executive Board of Directors**.** Decisions that affect all pension funds (federal and regional - “Länder”) are made by an expanded Federal Board of Directors.

Relationships with local governments:

82. Following the organisational pension insurance reforms of 1st October 2005, all German pension funds are represented uniformly under the name "Deutsche Rentenversicherung" (German Pension Insurance), for example "Deutsche Rentenversicherung Saarland" or "Deutsche Rentenversicherung Knappschaft-Bahn-See"). There are a total of 16 regional pension funds (Länder). An insurance fund qualifies as a Land institution when its responsibilities do not extend beyond its Land. Furthermore, a fund whose responsibilities touch over onto other Länder, may be considered a Land institution, provided the Länder involved stipulate one supervising Land.

83. Regional (Länder) pension insurance carriers have financial autonomy. DRV Bund, the federal fund is responsible for overall financial administration of the system including the sustainability reserve. Following the reorganization of the pension system, regional funds retained autonomous funds.

84. At the inception of the new funds, the split of contributions received between DRV Bund and regions was not proportional with the number of insured. That is because the number of retirees were higher at DRV B, the number of original insured were predominantly white collar with higher level of benefits than the blue collar plans in the regions. DRB Bund had also higher operating costs with common functions and additional tasks consisting in standardizing information concerning pension system across the country, collecting, analysing and publishing statistics.

85. The statutory pension scheme - as a point system - comprises pensions for old-age, survivors and disability and provides rehabilitation benefits. Due to existing differences in per capita income between the Western and the Eastern part of Germany, the calculation of the pension point value in the calculation of pension entitlements distinguishes between both German regions by considering the respective average wages.

86. In 2017 a stepwise harmonization of pension point values was legislated so that there will be a uniform pension legislation for Germany in 2025. This transitional treatment of eastern German pension entitlements is based in regulations legislated during the reunification negotiations. It was implemented to ensure that lower income levels in Germany (east) will not result in permanently lower pension entitlements.

Sources of funds:

87. The annual budget volume of the statutory pension system is based on two major sources: the contributions by insured persons and the government subsidies.

88. Employees today and their employers contribute 18.6% of gross salaries in equal shares to the pension system. In addition, the federal government supports the pension system with annual tax payments (Bundeszuschuss) by co-financing non-contribution-related entitlements such as mother's rents or low-income pension subsidies. Its contributes an amount of about 27 % of total receipts.

89. Given that several occupational groups (doctors, lawyers, self-employed, civil servants) are entitled to have their own capital-based systems, they only participate in the system through tax payments.

Conclusion

90. Germany operates a three-pillar pension system, comprised of the mandatory state pension, occupational pensions and private pensions. The system is grounded in its strong PAYGO public pension pillar. The German system has been considered to hold a "risky reserve policy" (low levels of assets) which at times has put a financial strain on the liquidity necessary for pensions disbursement.

91. The development of second pillar mandatory occupational plans (all Defined Benefit plans until 2018), and third tier voluntary pensions (mostly Defined Contribution) has been high on the agenda since the introduction of new occupational supplementary coverage and third tier state-subsidised private pensions, the Riester-Rente after 2001[14].

92. A total of 18m employees were active members of an occupational pension scheme by the end of 2015. This is just under 60% of people who are employed and subject to social insurance contributions in the country. Overall coverage and pension assets tripled from 2005-2018[15].

[14] https://www.bvi.de/en/about-funds/savings-and-provision-for-retirement/riester-pension/
[15] https://www.ipe.com/german-pension-schemes-tripled-use-of-pooled-funds-since-2005/10029982.article

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Web site https://www.deutsche-rentenversicherung.de/DRV/EN/Home/home_node.html

Web site https://ec.europa.eu/info/sites/info/files/economy-finance/final_country_fiche_de.pdf

Web site https://www.missoc.org/documents/organisation/2019_07/org_1907_de_en.pdf

93. Canada Pension Plan (CPP) created an independent organization, separate from the plan itself, to manage the pension reserve assets – the Canada Pension Plan Investment Board (CPPIB). With the CPPIB, CPP moved from being an exclusively pay-as-you-go scheme to being partially funded.

Nature of the institution:

94. The CPP is a public pension plan within Canada's pension system. The administration of CPP (registration, database management and payment of benefits) is ensured by Service Canada, an agency of the federal government of Canada.

95. The CPPIB, Canada Pension Plan Investment Board manages the Canada Pension Plan's (CPP) reserve fund. It is a Crown (i.e., federally owned) corporation.

96. Its founding legislation, the Canada Pension Plan Investment Board Act, ensures its independence from the government, enabling it to single-mindedly pursue its sole long-term objective of maximizing returns without undue risk of loss.

Figure 9. Institutions in charge of implementing the Canada Pension Plan Act

Source: ILO, 2019

Institutional organization:

97. The CPPIB is accountable to the Canadian Parliament, provincial finance ministers, and the federal finance minister.

Governance

98. The Canadian model's governance precepts include establishment of a governing board that is largely independent from the government, and which possesses a high degree of specialized expertise.

99. The CPP Investment Board (CPPIB) is responsible for investing funds in capital markets, and independence from political interference is achieved by having two separate juridical persons for the CPP and CPPIB.

100. The objects of the CPPIB are clearly defined in the legislation as being to manage amounts transferred to it in the best interests of the contributors and beneficiaries and to invest its assets with a view to achieving a maximum rate of return, without undue risk of loss.

101. CPPIB has a strong risk governance and management framework. The Board, Management and their respective committees are responsible for risk governance at CPPIB. The Board of Directors is responsible for the oversight of risk. It ensures that Management has identified key risks and established a separate risk appetite for each key risk and appropriate strategies to manage them. Board committees have different risk-related responsibilities.

Management

102. A key principle of the plan's governance is disclosure. This commitment is underpinned by the Canada Pension Plan Investment Board Act, which contains detailed provisions dealing with matters such as financial disclosure, auditing, public meetings, and availability of information (through internet).

103. The appointment of CPPIB directors is subject to a process that is designed to ensure independent appointments and minimize the risk of political interference.

104. The CPPIB codes of conduct are public documents and contain a number of features, including tight controls on the personal investing of directors and employees.

Segregation between the fund assets and government budget

105. Pension reserves in Canada are segregated from federal government assets and are accounted for separately. The equity assets of the Canada Pension Plan are carried on balance sheet at the CPP Investment Board and the securities are held by a private sector custodian in a segregated fund. The government can ask for the return of funds only to pay pensions, and for no other purpose.

Relationships with local governments:

106. Canada is a federal state. There is central government, 10 provincial governments, and three territorial governments. The provinces have considerable powers and responsibilities. Some of these, including stewardship of the national public pension plan, they share with the federal government The stewards of the Canada Pension Plan, the federal and provincial governments, are responsible for the plan's design, for plan administration, and for funding policy. They set contribution rates and they determine benefits. The federal government additionally collects contributions, pays entitlements, and administers the plan.

Sources of funds

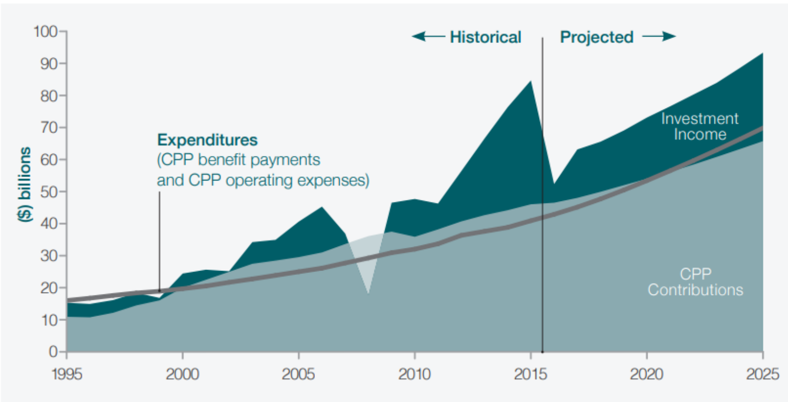
107. The Plan is funded with payroll deductions. Administration costs are funded from fees.

108. In December 2016, Act to Amend the Canada Pension Plan, the Canada Pension Plan Investment Board Act and the Income Tax Act increased the amount of retirement pensions and other benefits that will be paid on contributions made after 2018. It also increased both the rate of contributions required on earnings covered by the CPP and the upper limit on covered earnings.

109. The contribution and earnings limit increases began in January 2019 and will be phased in over seven years. With this Amendment, the Canada Pension Plan now defines the enhanced CPP in two parts. The "base" Canada Pension Plan (base CPP), refers to the benefits and contributions at the rates used before January 2019. The "additional" CPP refers to the additional benefits and the additional contributions that started in January 2019. The contributions, benefits and resulting assets for the additional CPP must be accounted for separately from those for the base CPP.

110. The CPP assets are expected to grow continuously over the period 2020-2025. During the period 2000 to 2020, contributions are more than sufficient to cover expenditures. > From 2021 onward, a portion of investment income is required to fund CPP expenditures. > Investment income, which represents 24% of revenues in 2017, will represent 30% in 2030. This clearly illustrates the importance of investment income as a source of future revenues for the CPP.

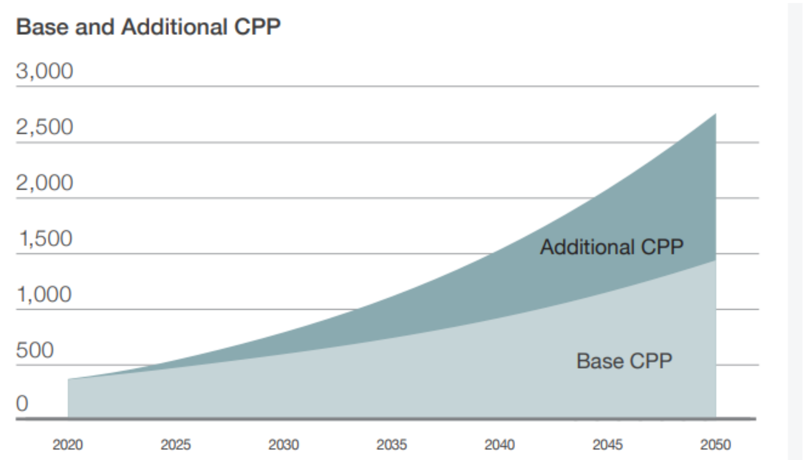
Figure 10 Revenues and expenditures are projected to grow in the following fashion (Billions of USD as of December 2019).



Source: Annual report CCIB 2019 (Reference below).

111. The additional CPP is fully funded, whereas the base CPP is only partially funded. Therefore the two parts of the CPP differ significantly in terms of their future proportions of contributions and investment income as a percentage of total revenues.

Figure 11. Growth of the CPP Fund



Source: Annual Report, 2019

112. The new two-account structure prompted a review of all our governance policies and procedures. An internal committee was charged with ensuring that the two-account, two-pool investment structure continues to serve CPPIB's statutory objectives and maintains fairness between the base and additional CPP accounts. Specific accountabilities include overseeing an annual review of the investment structure and reporting these findings to the Board.

Conclusion

113. Canada Pension Plan Governance precepts are regarded as key prerequisites for well-managed pension funds worldwide. An independent Chief Actuary and autonomous Investment Board ensure professional foresight and asset management.

114. CPPIB is characterized by a strong risk culture. This is materialized in open dialogue and communication, transparency, willingness to raise concerns and clear accountabilities, and formally documented processes and controls. Guiding Principles and Code of Conduct provide a strong foundation for this culture.

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MacNaughton, J. A. The Canadian Experience on Governance, Accountability and Investment, Chapter 4 in Palacios, R. J. and Musalem A. R., 2004 *Public Pension Fund Management Governance, Accountability, and Investment Policies* Proceedings of the Second Public Pension Fund Management Conference, May 2003
http://documents.worldbank.org/curated/en/780721510639698502/pdf/121375-The-Evolution-of-the-Canadian-Pension-Model-All-Pages-Final-Low-Res-9-10-2018.pdf

Annual Report 2019
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United States' Old-Age, Survivors, and Disability Insurance (OASDI) trust fund.

Source: https://money.com/social-security-website-two-factor-authentication-2/

Nature of the institution:

115. The Federal Old-Age and Survivors Insurance Trust Fund and Federal Disability Insurance Trust Fund are trust funds that provide for payment of Social Security (Old-Age, Survivors, and Disability Insurance; OASDI) benefits administered by the United States Social Security Administration (SSA).

116. SSA is the independent agency of the U.S. federal government that administers social security. Although legally distinct, the two funds are referred to collectively as "the Social Security trust fund." All of Social Security's payroll taxes and other earmarked income are deposited in the trust funds, and all of Social Security's benefits and administrative expenses are paid from the trust funds.

Institutional organization:

Governance

117. The Board of Trustees of the Trust Funds is composed of 6 members:

- Secretary of the Treasury (managing trustee)
- Secretary of Labor
- Secretary of Health and Human Services
- Commissioner of Social Securitu
- 2 members appointed by the President and confirmed by the Senate
- The Board of Trustees holds the trust funds.

Management

118. The Managing Trustee is responsible for investing the funds, which has been delegated to the Bureau of the Fiscal Service. The Bureau of the Fiscal Service (Fiscal Service) is a bureau of the U.S. Department of the Treasury. The Fiscal Service replaced the Bureau of the Public Debt and the Financial Management Service. The Bureau manages the government's accounting, central payment systems, and public debt.

119. The Treasury manages the Social Security accounts in much the same way that a bank manages a checking account: accurate accounts are kept of the cash deposits and the accruing interest; cash (plus interest) withdrawals are allowed whenever needed; and in the meantime, the bank can put the cash to other uses. Thus, the Treasury uses procedures that fully and accurately account for the cash from trust fund tax income deposited with the Treasury and the interest that accrues on those deposits. However, the trust funds are insulated from Government Budget.

Insulation from Government Budget

120. By Law, trust funds are "off-budget" and treated separately from other federal spending, and other trust funds of the federal government.

121. Until the invested amounts are needed to pay benefits, the cash is intermingled with the Treasury's cash operations for the rest of the government. The size of the accumulated reserves is tracked by special Treasury securities[16]. Those securities are issued to the trust funds both when cash from tax income is deposited and when interest is paid on the invested reserves. When Social Security benefits are paid, trust fund securities are redeemed for the cash to pay beneficiaries.

122. Although these procedures do not affect the budget accounts of the rest of the government, they do affect the Treasury's cash operations. When the trust fund tax income is deposited with the Treasury, the amount of cash that the Treasury must borrow from the public for its other operations is reduced. During the period in which the trust funds hold the Treasury securities, the cash that the Treasury must borrow from the public to make interest payments is reduced as well.

Sources of funds:

123. As a reserve fund, revenues earmarked for Social Security benefits can be collected in advance of the actual expenditure. Interest on the invested reserves can be an important component of the fund income, particularly when—as has occurred in the past several decades—a large reserve is built up in advance of a demographic wave of retirements. The reserves are funded from dedicated tax revenues and interest on accumulated reserve holdings and the investment (and redemption) of the securities held on treasury bonds.

[16] Section 201(d) of the Social Security Act explicitly states the OASDI Trust Funds may only be invested in interest-bearing securities issued by or guaranteed by the U.S. government. This respects the principle of Nonintervention in the Private Economy. The principle of nonintervention has long been recognized as important in the consideration of the trust funds' finances.

124. The trust funds run surpluses in that the amount paid in by current workers is more than the amount paid out to current beneficiaries. These surpluses are invested in special U.S. government securities, which are deposited into the trust funds. If the trust funds begin running deficits, meaning more in benefits are paid out than contributions paid in, the Social Security Administration is empowered to redeem the securities and use those funds to cover the deficit.

125. In the 2018 Trustees' Report, Social Security's actuaries projected that the Disability Insurance (DI) trust fund will be exhausted by 2032 and the OASI trust fund will be exhausted by 2034. If either event occurs, the Social Security Administration will only be able to pay a portion of benefits from payroll taxes collected—about three-quarters of promised benefits in the case of Social Security. When the DI fund came close to depletion in 1994, Congress diverted some of the OASI fund's payroll tax receipts to the DI fund to maintain its solvency. Legislators took this step again in 2015, transferring funds from the OASI trust fund to extend the DI fund's solvency.

Conclusion

126. Social Security reserve funds in the United States are strictly invested in national government bonds. As such, they do not require an independent sophisticated investment administration.

127. In Law and in terms of accounting for the funds, the pension assets are distinct from the State budget. Economically and financially however, the management of the funds by the State offers the Government liquidity and reduces its dependence on other parties. A downside of this institutional government and management system of social security debt management is the lack of visibility by the public of the separation of social security funds from the management of government fiscal resources.

128. The limitation on investment in US securities has been long criticized for providing limited returns on assets.

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https://www.ssa.gov/policy/docs/progdesc/sspus/oasdi.pdf

https://fas.org/sgp/crs/misc/R45709.pdf

Korea's National Pension Service Investment Management (NPSIM)

Photo: NPS Investment Management website.

129. National Pension Service (NPS) is a pre funded pension scheme, which finances pensions for retirees through contributions from current workers' payrolls. Despite this, it is accumulating a sizable asset reserve fund. The pension service investment management corporation (NPSIM) runs the third largest public pension fund in the world.

Nature of the institution:

130. The National Pension Service (NPS) is the statutory body charged with the administration of the Republic of Korea's national pension system, including the investment of its pension assets. The investment of the pension assets is outsourced to and implemented by the national pension service investment management (NPSIM).

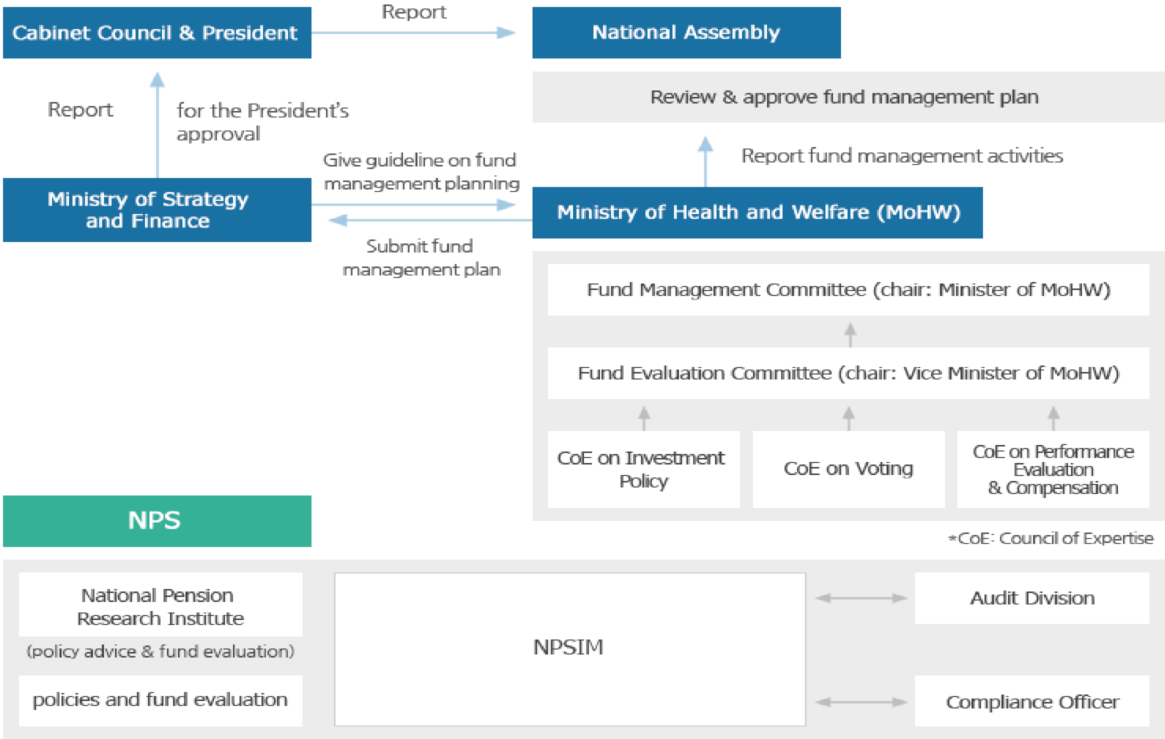
Institutional organization:

Governance

131. Governing legislation in Korea requires the minister of health, welfare, and family affairs to manage and operate the Fund. The Ministry of Health, Welfare, and Family Affairs oversees two non-permanent governing bodies, the National Pension Deliberative Council and the National Pension Fund Management Committee. The National Pension Deliberative Council determines pension benefits and contributions and also governs NPS, which, in turn, is responsible for general management, including collections and disbursements.

132. The National Pension Fund Management Committee is the Fund's investment management body in charge of formulating strategic asset allocation, strategic investment plan, and investment policy. The fund management committee is comprised of representatives of employers, employees and the insured and the relative government agencies.

Figure 12 Organization of the NPS and place of NPSIM, Korea

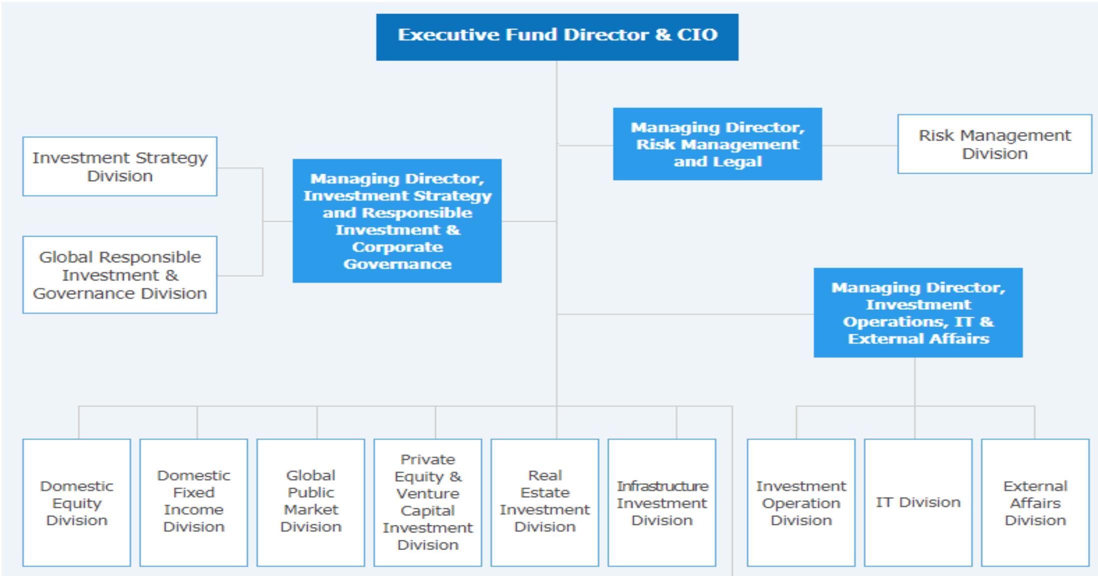


Source: https://fund.nps.or.kr/jsppage/fund/ifm_e/mpc_e_01.jsp

Management.

133. The National Pension Service Investment Management is led by the Executive Fund Director & Chief Investment Officer, consists of 3 managing directors, 12 divisions (11 divisions and one subdivision) and 3 overseas offices. To provide a professional administration and management of the fund, the NPSIM attracts and retains seasoned financial professionals with experiences in market analysis, portfolio management, investment trading, risk management and so on.

Figure 13 Organogram of the NPSIM, Korea



Source: https://fund.nps.or.kr/jsppage/fund/ifm_e/ifm_e_03.jsp Accessed 30.03.2020

Relationship with private corporate sector:

134. NPS exercises direct shareholder activism (influence in the boards of companies where it owns stocks through voting rights) reflecting strategic government industrial policy decisions[17].

135. The NPS has recently made changes to its voting guidelines so it can reject the appointment of corrupt directors to boards of companies it invests in. According to the revised guideline, the NPS has decided to oppose conglomerate owners or businessmen being appointed or reappointed as directors of companies if they will diminish shareholder value because they have been engaged in embezzlement or breach of trust. People facing court trials are included. The NPS also can demand the dismissal of corporate board members who are suspected of involvement in illegal activities and call for changes to a company's articles of association, if needed.

136. Following allegations in 2015, that NPS made investment decisions on matters that interested politicians, a new stewardship code was approved that aims at strengthening the prevention of conflicts of interests. But the country's business community has voiced concerns that the NPS could still unduly interfere in business operations. The Federation of Korean Industries, which represents South Korea's large businesses, urged the pension fund to reconsider its guidelines, saying the pension fund's interference in corporate management and corporate governance could undermine corporate activities.

Relationships with local governments:

137. There are no relations with local governments.

[17] https://thediplomat.com/2019/04/south-korea-needs-to-get-serious-about-its-pension-fund/

Sources of funds:

138. Contribution to NPS are 4.5% of monthly earned income for employees and 4.5% for employers (9% for self-employed). The National Health Insurance System of Korea operates an integrated contribution collection system which includes the collection on behalf of the national pension.

Conclusion

139. Korea's NPSIM is a leading investor, both internally and externally. The size of the fund requires greater sharpness in terms of its governance and management modalities.

140. It also needs to use a diversified array of sophisticated investment instruments. For that reason, it needs to continuously attract highly skilled staff domestically and its offices in the major capital cities worldwide.

141. Its relocation of the headquarters of NPSIM in 2017 to Jeonju in Korea as part of a decentralization strategy led to the fund loosing many senior management staff and reduced the ability of the fund to interact swiftly with financial sector companies based in Seoul.

142. The fast ageing process has led to review of the funds'social security parameters. Of particular concern, is the adequacy of the national pension which is declining over time, and the undercoverage of a significant group of elderly people. Currently South Korea still has by far the highest rate of poor elderly people in OECD.

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Japan' Government Pension Investment Fund (GPIF)

143. GIPF is the largest pool of retirement savings in the world.

Nature of the institution:

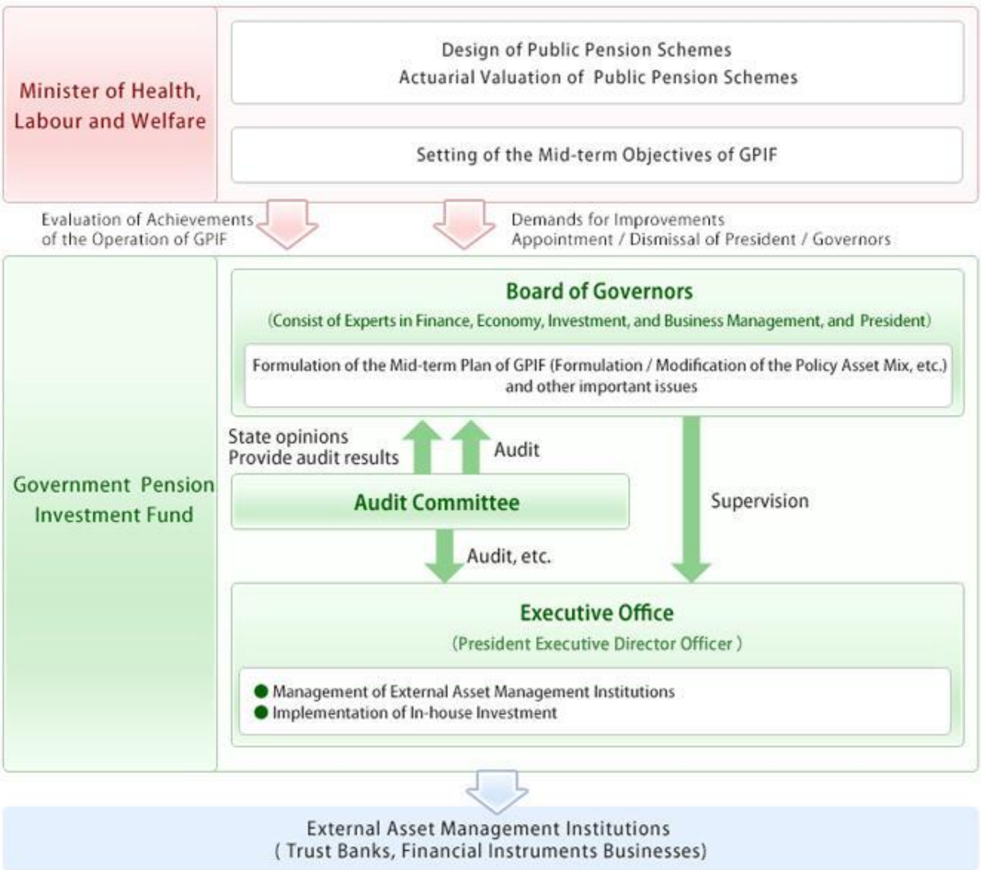
144. It is an incorporated administrative agency (an independent administrative institution), established by the Japanese government. Its role is to contribute to the stable operation of the Employees' Pension Insurance and National Pension programs by managing and investing pension reserves entrusted to it by the Minister of Health, Labor and Welfare and remitting its investment returns to the government's Pension Special Account.

Institutional organization:

Governance

145. The GPIF is required to set up an investment committee composed of members appointed by the Minister of Health, Labor and Welfare from among those who are highly capable of judgment on economy and finance.

Figure 14 Organigram of GIPF, Japan



Source: https://www.gpif.go.jp/en/about/board.html

Management

146. GPIF manages and invests pension assets in accordance with the Specific Guidelines for Safe and Efficient Long- Term Management and Investment of Pension Assets in effect since October 1, 2015. It operates both in house investment and manages external asset management institutions.

Sources of funds:

147. Japan has adopted the pay-as-you-go (PAYG) model of pension finance, meaning that current pensioners' benefits are basically funded with pension insurance premiums deducted from the current labor force's wages. About 90 percent of the resources of Japan's public pension system each year are covered by premiums paid that year by the working generations and contributions from the government.

148. Although earnings and reserves of the GPIF will be gradually spent down, the fund is managed so that its contribution will account for only about 10 percent of the pension system's fiscal resources over the coming 100 years. In 2004, the government adopted a reform to increase contributions from 13.58% to 18.53% from 2005 to 2017 whilst keeping income replacement income above 50%.

Conclusion

149. In 2010, OECD experts indicated that the GPIF did not 'appear to be a fully independent, segregated entity'. The Ministry of Health, Labour, and Welfare (MHLW) had direct influence over the GPIF's staffing and operational matters. A governing body with collegial structure was set up in October 2017 to correct this.[18] The authors also expressed concerns over administrative constraints imposed on the management of the fund which limited adequate staffing and proposed stronger administrative autonomy.

150. At the time of the OECD report, it appeared that the fund was run as a "low risk" asset manager not requiring sophisticated risk management strategies. Since 2015, its assets mix exposure to equities increased[19]. In 2019, the fund had close to 50% of its asset base in equities. The fund also increased its asset allocation internationally (bonds and equities) due to negative yields in national domestic markets[20]. In addition, the size of the fund requires strong risk governance and control frameworks. To allow this, the fund embarked on a review of its governance system to increase internal control, audit and risks management policy and capacity and management, particular through integration of new skills and IT systems modernization[21].

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[18] https://www.pionline.com/article/20171002/ONLINE/171009973/japan-reappoints-gpif-leadership-board-of-governors-inaugurated

[19] https://www.reuters.com/article/us-investment-summit-gpif/japans-gpif-now-able-to-hedge-against-risk-in-various-currencies-president-idUSKCN1NL0NHCurrently

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[21] https://www2.deloitte.com/content/dam/Deloitte/lu/Documents/financial-services/performancemagazine/articles/lu-gpif-reform-012015.pdf

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https://www.gpif.go.jp/en/info/legislation.html

Taiwan, (China) Bureau of Labor Funds (BLF)

151. The social insurance system consists of a flat-rate benefit under the National Pension Program (introduced in 2008 for individuals not covered by any other public pension system) and an earnings-related benefit under the Labor insurance program. In 2005, a government-sponsored individual account system (New Labor Pension Fund) replaced the old employer-sponsored individual account labor pension system. The new system is mandatory for all new entrants to the labor force and for workers who changed employers since July 1, 2005, and voluntary for workers who have entered the labor force before 2005.

Nature of the institution:

152. To ensure the funds are managed professionally and to clarify responsibilities a dedicated agency - The Bureau of Labor Funds - was set up under the Ministry of Labour, charged with the management of various Labor Funds. The agency is established in accordance with the Organization Act to be responsible for overall planning and utilization of various labor funds. These include the Labor Pension Fund (the New Fund), the Labor Retirement Fund (the Old Fund),the Labor Insurance Fund (LIF), the Employment Insurance Fund (EIF), the Arrear Wage Payment Fund (AWPF), and the Occupation Incidents Protection Fund (OIPF).

Institutional organization:

Governance

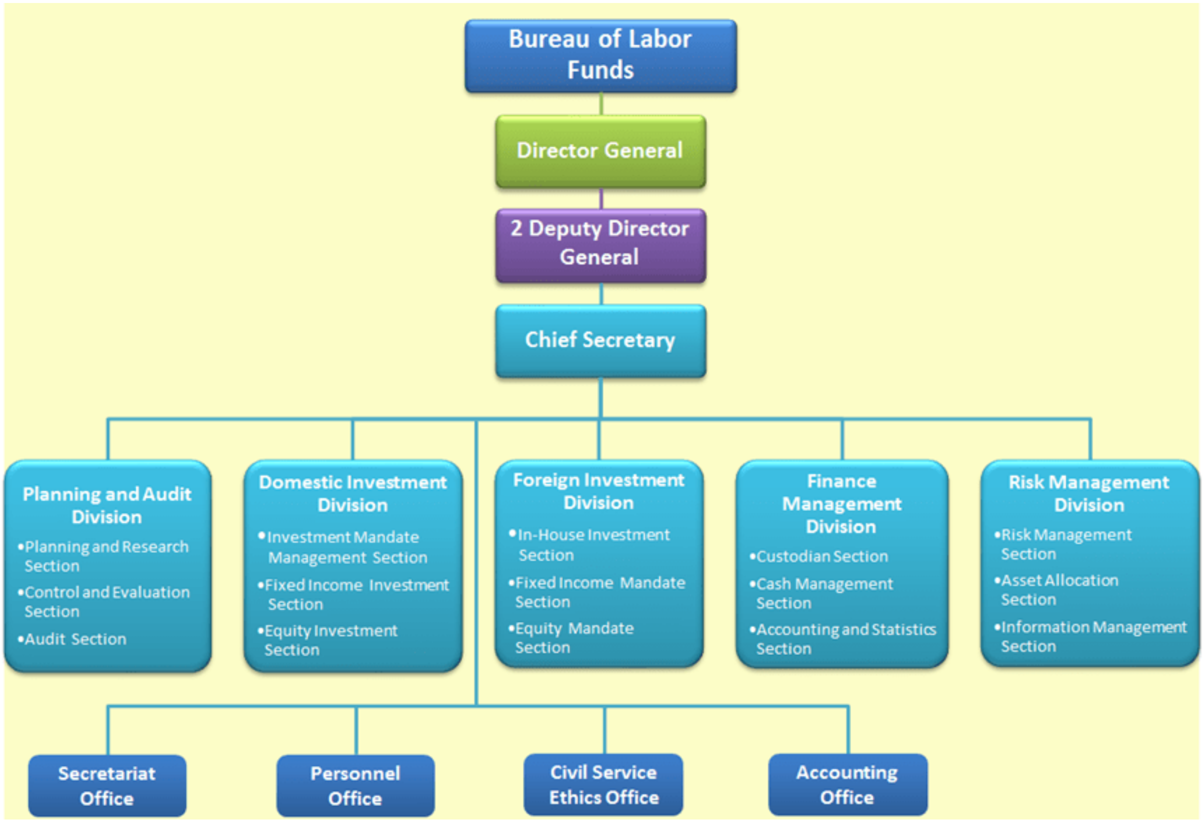
153. Department of Labor Insurance of the Ministry of Labor provides general supervision. Department of Social Insurance of the Ministry of Health and Welfare coordinates the National Pension Program. Bureau of Labor Insurance of the Ministry of Labor collects contributions, pays benefits and manages investments. The Bureau of Labor Funds has also been commissioned by the Ministry of Health and Welfare to manage the National Pension Insurance Fund (NPIF). The management of one of these funds, the Old Fund, was passed on to the Bank of Taiwan regarding its in-house investment operations.

Management

154. The Bureau devises investment plans for each fund according to its properties, regulations and size, and has established the organization and operation mechanism to manage the funds with security, transparency, efficiency, and steadiness. By pushing for the diversification of investments and professional management, the Bureau hopes to secure long-term steady returns that will benefit the labor force both before and after retirement.

155. A Labour Pension Fund Supervisory Committee supervises and manages the New Labour Pension Fund. In July 2007, when the Supervisory Committee was set up, it announced that fund management would partially be outsourced to asset management companies, starting with domestic outsourcing mandates.

Figure 15 Organogram of the Bureau of Labor Funds, Taiwan, China



Source: Website of BLF, accessed 30.03. 2020.

Sources of funds (for benefits and for administration):

156. New Labour Pension Scheme, employers contribute 6% of employees' salaries (up to a ceiling) to employee accounts; they can contribute more if they wish. Employees can voluntarily contribute up to 6% of their salary.

Conclusion

157. The BLF is one of Asia’s largest public sector funds with a mission to improve fund investment performance. The six funds overseen by the BLF had NT$4.5 trillion of total assets under management at the end of July 2019.[22]

158. The impact of fast ageing in public finances is a major concern in Taiwan. The percentage of people aged at least 65 is projected to increase from 14% in 2018 to 16.8% of the population by 2021 and 20% by 2026. This growth of ageing population will be accompanied by a fall in the working population from 74.34% in 2016 to 70.4% by 2021. As a result, beginning in 2018, labour pension contribution rates began to be increased by 0.5% each year before the figure reaches the final target of 18%, and the government decided to allocate NT$20 billion to the Labor Insurance Fund (Pension Reform Committee 2017).

159. Another problem emerging is the decrease in the generosity in the new pension system

[22] http://www.fundsglobalasia.com/news/taiwan-s-bureau-of-labor-funds-appoints-five-managers; https://www.asiaasset.com/post/22744-taiwan-blf-1002

linked to higher longevity of the elderly population, drawing benefits for a longer period of time. Pensioner poverty might emerge as an important public concern as well.

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United Kingdom’s National Insurance Fund (NIS)

160. The National Insurance scheme is financed on a pay as you go basis with contribution rates set at a level broadly necessary to meet the expected benefits expenditure in that year, after taking into account any other payments and receipts, and to maintain a working balance. Changes in contribution levels, in response to the needs of the Fund, take time to implement, therefore a working balance is necessary as the NIF has no borrowing powers.

Nature of the institution:

161. The National Insurance scheme was set up by the Government of the United Kingdom in 1911. It was reformed in 1948 and assumed broadly its current form in 1975, when the separate National Insurance (Industrial Injuries) and National Insurance (Reserve) Funds were merged with it. The benefits funded by the National Insurance (NI) Fund cover old-age, bereavement, incapacity, maternity, and unemployment and are predominantly flat rate.

162. Section 161(1) of the Social Security Administration Act 1992, as amended by the Social Security Contributions (Transfer of Functions, etc.) Act 1999, moved the management of the NIF from the Contributions Agency (overseen by the then Department of Social Security) to the management of the Inland Revenue (now HMRC).

Institutional organization:

Governance

163. The Department for Work and Pensions (DWP) oversees contributory benefits. The Commissioners for the Reduction of the National Debt (CRND) are responsible, in accordance with Section 161(3) of the Social Security Administration Act 1992, for the investments of the National Insurance Fund Investment Account (NIFIA). They are authorised to invest in accordance with directions given by HM Treasury and in line with the Memorandum of Understanding between HMRC and CRND.

Management

164. Contributions are collected by HM Revenue and Customs (HMRC). In respect of employees, this is done through the PAYE system along with Income Tax, which the employer is liable to pay. National Insurance contributions form a significant proportion of the UK Government's

revenue. Under Section 162 of the Social Security Administration Act 1992, NICs received by HMRC are paid into the NIF after deducting the appropriate NHS allocation (see note 2). HMRC is required to consult with the Government Actuary to determine the appropriate apportionment, which is approved by HM Treasury.

165. In addition to this, the Social Security Act 1993 allows for money provided by Parliament to be paid into the NIF via a Treasury Grant, if HM Treasury considers it expedient to do so. Current practice is to aim to maintain the level of the Fund at a working balance of at least 1/6th (16.7%) of projected annual benefit expenditure. The amounts received into, and paid out of, the NIF and the resulting balance on the Fund depend on legislation, which is the responsibility of HM Treasury Ministers and the Secretary of State for Work and Pensions. In setting contribution rates, HM Treasury Ministers are required to consider changes in the general level of earnings, the balance on the Fund and payments expected to be made from it in the future (Sections 141 and 143 of the Social Security Administration Act 1992). In addition, both demographic and economic changes can affect amounts received and paid out and therefore the overall balance on the Fund.

166. The Department for Work and Pensions (DWP) has overall responsibility for the award and payment of most benefits payable from the NIF, including those relating to retirement, bereavement, contribution-based Jobseeker's Allowance and contributory Employment and Support Allowance. Entitlement to benefit is determined by the claimant satisfying qualifying conditions. For Statutory Maternity Pay, employers reduce the amount of NICs paid to HMRC by the amount of the Statutory Maternity Pay that they are able to recover. Subsequently, DWP pays over to HMRC an amount to compensate the NIF for this shortfall in contributions, as estimated by the Government Actuary.

Insulation from Government Budget

167. The money is held in the National Insurance Fund (NIF), separate from the Consolidated Government Fund. Contributions are not "taxes" because they are not directly available for general expenditure by the government. The National Insurance Fund (NIF) holds National Insurance Contributions (NICs), paid by employees, employers and the self-employed. Voluntary contributions are also paid into the fund. Receipts paid into the NIF are kept separate from all other revenue raised by national taxes and are used to pay social security benefits such as contributory benefits and the State Pension. The NIF Account presents the receipts and payments for the financial year, as well as the balance on the Fund at the end of the year. NICs also help finance the National Health Service (NHS). NICs are paid into the NIF net of money allocated to the NHS

168. Independent office of the Chief Actuary. The Government Actuary is required under Sections 142(1), 147(2) and 150(8) of the Social Security Administration Act 1992 to report on the likely effect on the NIF of the Government's annual benefits up-rating and contributions re-rating orders. These reports are laid before Parliament and debated alongside the relevant orders. The Government Actuary is also required, under Section 166 of the Act, to review the operation of the Great Britain NIF at least every five years. The latest quinquennial report was laid before Parliament on 19 October 2017. An actuarial evaluation of the long-term prospects for the National Insurance system is mandated every 5 years, or whenever any changes are proposed

to benefits or contributions. Such evaluations are conducted by the Government's Actuary Department and the resulting reports must be presented to the UK Parliament.

Relationships with local governments:

169. There is a transfer from Great Britain to Northern Ireland who have their own National Insurance Fund. Transfers between Great Britain and Northern Ireland NIF are made so that, as far as practicable, the balance in the Northern Ireland Fund is maintained at 2.87% of the joint balance of the two Funds, a percentage split based on the population of working age individuals established by the 2011 census. Payments are made on a provisional basis and are adjusted when end of year balances in the two Funds are available. The transfer is based on the Fund balances for Great Britain and Northern Ireland which themselves are based on the differences between the levels of receipts and payments and therefore the results are subject to considerable variability year on year. This system of parity payments acts as a final safeguard against serious imbalances between the two NIF Funds.

Sources of funds:

170. The income of the NIF consist of contributions from employees, employers and the self-employed, plus interest on its investments. The contributions component of the system, "National Insurance Contributions" (NICs) are paid by employees and employers on earnings, and by employers on certain benefits-in-kind provided to employees. The self-employed contribute partly by a fixed weekly or monthly payment, and partly on a percentage of net profits above a certain threshold. Individuals may also make voluntary contributions, in order to fill a gap in their contributions record and thus protect their entitlement to benefits.

171. People in certain circumstances, such as caring for a child, caring for a severely disabled person for more than 20 hours a week or claiming unemployment or sickness benefits, gain National Insurance credits which protects their rights to various benefits.

172. National insurance funds are used to pay for certain types of welfare expenditure but they cannot be used directly to fund general government spending. However, any surplus in the funds is invested in government securities, and so is effectively lent to the government at low rates of interest.

173. Administration costs relate to the services directly provided to the NIF and are reimbursed to the respective service provider from the Great Britain NIF. The costs were agreed at the start of the year and monitored on a regular basis.

174. National Insurance contributions are paid into the various National Insurance Funds after deduction of monies specifically allocated to the National Health Services (NHS). However a small percentage is transferred from the funds to the NHS from certain of the smaller sub-classes. Thus the four NHS organisations are partially funded from NI contributions but not from the NI Fund.[1] Less than half of benefit expenditure (42.1%) now goes on contributory benefits, compared with over 65% in 1978–79 because of the growth of means-tested benefits since the late 1970s.

Conclusion

175. The Government Actuary's Department (GAD), body responsible for advising the

government on the state pension indicated that national insurance state pension on a pay-as-you-go basis, is currently sustainable until 2032.

176. Thereafter, the Treasury must either commit more funds from elsewhere, increase the state pension age, reduce the value of the state pension or increase NI contributions. GAD said contributions may have to rise by 5% to fund the state pension over the long-term. Or new legislation could change the law which states only 17% of benefits paid by the fund can be provided from general income tax revenue.

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Conclusion

177. Reserve Funds play an important role in ensuring assets are managed in an appropriate way taking into account liabilities, objectives and pooling and solidarity objectives. Good management and governance structures are essential to ensure objectives are met and some of the principles are highlighted in this note.

178. The note reviews the diversity of experiences of France, Germany, Switzerland, United Kingdom, Canada and the United States, and Japan, South Korea and Taiwan (China). Canada provides a model of independent pension fund management. United States and the United Kingdom are at the other extreme of management under State administration. Japan, South Korea and Canada run the larger pension reserves in the world amongst the countries or regions under analysis. France and Germany have limited mechanisms for capitalization of pension fund assets.

179. The Canadian and German national pension funds provide interesting benchmarks for a multilevel governance framework providing for representation of local funds in the federal pension fund decisions affecting all funds. France has a system of demographic and economic compensation between funds. Switzerland has a national compensation system that pools distinct funds but maintains separate records for each one.

180. Normally administration and investment costs are paid from the investment fund itself and not from an external source. These costs include staff costs, reporting, investment management costs, cost of premises etc. The expense ratios of the large reserve funds shows the advantages linked to the economies of scale of centralising investment of funds. For example, the Swiss reserve fund has an expense ratio of just 20 basis points (0.2% of funds under management)[23] one of the lowest figures worldwide for an institutional investor.

181. The level of sophistication in managing assets has increased in Japan over the past decade, which led to significant changes in the governance structure of GEIPF, with the introduction of more independence, control and risk governance mechanisms.

182. One differentiation in asset management is the degree of activism in investment strategies. The United States OASDI's principle of non-intervention in the economy, consists of restricting investment in US securities. Instead, Korea pension fund is characterized by a high degree of shareholder activism and exercise of voting rights in private corporations.

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(Click on photo or name to send mail for more information)

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