

To: Randal K Quarles, Governor, Financial Stability Board

Cc: Jonathan Dixon, Secretary General, International Association of Insurance Supervisors
André Laboul, Secretary General, International Organisation of Pension Supervisors

Date: 4 August 2021

Subject: Importance of continuity of national self-funded pension systems – Chile defunding private retirement savings

Dear Mr Quarles,

Following up on our October 30th 2020 letter about the COVID-19 pandemic and the substantial challenges it creates in terms of public finance and economic recovery, we are writing to again call on the Financial Stability Board (FSB) to support the resilience of private capital-backed pension systems. Private pension systems will play a vital role in the recovery from the ongoing pandemic in both developed and emerging markets. Because of this, and due to current and worsening political pressures on private pension systems in various markets, we are calling on you to include statements on the need to ensure the sustainability of pension systems in your recommendations to the Italian G-20 presidency.

While we appreciate the efforts already undertaken by the FSB in this regard, we wish to draw your attention to the continuing actions by the government of Chile that has defunded private retirement for almost five million Chilean workers in an effort to address the economic strain of the pandemic. This violates the sanctity of annuity contracts with no prudential justification. Political decisions in Chile have further sacrificed the rule of law and capital market stability in the pursuit of expedient solutions to economic pressures brought on by the pandemic. These actions run counter to the FSB's principles that underpin measures taken by the official sector to manage the economic shock of COVID-19.

The 2021 Italian G20 presidency provides new momentum to bring into the spotlight the long-term benefits of pre-funded retirement savings. Therefore, we would urge the FSB to stress the importance of private capital-backed pension systems in its policy suggestions for the G20 summit recommendations. Targeted suggestions in this regard would enable the Italian G20 presidency to examine the role that long-term capital asset accumulation could play in facilitating the recovery from the COVID-19 pandemic.

In a similar vein, we urge the FSB to raise these issues among members of the Regional Consultative Group for the Americas, where Chile is active, to highlight the damage to Chile's financial stability, protection of market integrity and consumer protections, and possible knock-on effects in the region. Finally we would like to invite the FSB to encourage the International Association of Insurance Supervisors (IAIS), the International Organization of Pension Supervisors (IOPS) and the Organization for Economic Cooperation and Development (OECD) to further contribute to the discussions on the risks that COVID-19 poses to funded retirement systems. Such discussions should also cover the contribution of these long-duration assets to economic recovery.

Thank you in advance for your consideration. We would very much welcome the opportunity to further engage on this topic.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Don Forgeron". The signature is fluid and cursive, with a prominent loop at the beginning and a trailing flourish at the end.

Don Forgeron,
GFIA President