

To: Ignazio Visco, Governor, Bank of Italy

Cc: Luigi Federico Signorini, Director General, Bank of Italy
Silvia Vori, Senior Manager, Bank of Italy

Date: 4 August 2021

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

Dear Mr Visco,

Following up on our video meeting in June, which was kindly hosted by ANIA, I wish to share with you a series of letters that the Global Federation of Insurance Associations (GFIA) has sent to Governor Randy Quarles in his capacity as chairman of the Financial Stability Board (FSB). By engaging the FSB, the global industry is drawing attention to what we feel is a potential global blind spot in government actions being taken to mitigate the economic impact of the COVID-19 pandemic, while also highlighting the role private capital-backed pension systems can play in the recovery from the ongoing COVID-19 pandemic in both developed and emerging markets.

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. We would ask, given your experience as a leader of the G20 and at the OECD, to heighten awareness about the important role private capital-backed pension systems in long-term capital asset accumulation could play in facilitating the recovery from the COVID-19 pandemic.

We would also note the need for cooperation between 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.

We have raised this issue with the FSB, IOPS, IAIS and OECD and believe the broad impact of these policies should be addressed by the G20 as counter to global regulatory norms and principles supporting financial stability and the sanctity of financial integrity. We would very much welcome the opportunity to further engage on this topic.

Sincerely,

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

Don Forgeron,
GFIA President