

MEMO# 12808

November 3, 2000

PROGRESS IN ACHIEVING INSTITUTE'S INTERNATIONAL PENSION PRIORITIES

[12808] November 3, 2000 TO: BOARD OF GOVERNORS No. 64-00 RE: PROGRESS IN ACHIEVING INSTITUTE'S INTERNATIONAL PENSION PRIORITIES At its January meeting, the Board of Governors identified two priority areas for the Institute's international program: achieving a true cross-border market for mutual funds in Europe and assuring that ordinary mutual funds can be used as funding vehicles in new defined contribution retirement systems in Europe and Japan. In working to achieve these goals, the Board suggested the Institute coordinate its efforts with industry groups abroad, where possible. Recently, two developments occurred in achieving progress toward the Institute's international pension market goals. First, at the International Investment Funds Conference held in Luxembourg on October 18-20, the Institute succeeded in having mutual fund industry representatives from thirty-five countries issue a joint statement strongly endorsing the use of mutual funds in retirement savings programs, including defined contribution plans. A copy of the declaration, which country associations will use in discussions with government policy makers, is attached. Second, the European Commission recently proposed a directive on occupational pensions that incorporates several of the recommendations the Institute has made in comments to US trade officials and European policy makers. The proposed directive would impose a prudent person standard with respect to the management of pension assets and would no longer allow governments to require that most pension assets be invested in fixed income or government securities, or be limited to securities of domestic issuers. The proposal also would provide for cross-border management of pension assets by requiring that member states allow plans to appoint investment managers established in other member states. The proposal now goes to the European Parliament and Council of Ministers for consideration. Matthew P. Fink President Attachment (in .pdf format)

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