

Introduction by Errol Frank Stoové
President of the International Social Security Association
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IT'S TIME FOR NEW REALISM

Excellencies, dear participants, ladies and gentlemen,

The subject that has brought us all together here in Amsterdam for the next few days is an exceptionally exciting one.

Although, maybe 'exciting' is not the right word.

It is a subject that is very much occupying our minds.

A fascinating subject.

One that affects many millions of people all over the world.

As a result of globalisation, our economies, at least, have become inextricably linked to each other.

Sooner or later, every region of the world is affected by what happens in the other regions.

And these effects are not confined to the formal economy.

Those who work in the informal economy feel the effects as well.

This places a heavy responsibility on our politicians and the financial markets.

I'm going to start by giving you my main message for this Summit.

My message is quite simple.

Of course we can analyse causes in great depth and discuss measures in an abstract and theoretical way, but the basic issue will stay the same. In difficult circumstances, the world's political leaders have a duty to keep a level head.

For the next few years, the main task for all those working in the financial markets will be to search for a form of shared responsibility. Will they be able to keep from going after short-term gains?

Leadership and a sense of responsibility will lead to a period of calm and economic recovery.

Panic and short-term thinking do not help us, and will only lead to instability. It is time for new realism.

Ladies and Gentlemen,

Nearly all 330 members of the ISSA in more than 150 countries world-wide are linked in some way to the worlds of finance, pensions, social security and healthcare.

As administrators and implementers who depend on the political leadership of our countries, we follow the debates, the proposed measures and the decisions with great interest.

And I have to say that we cannot always conclude that our political administrators and investors are behaving responsibly.

It is essential that we look to the long-term. To economic stability.

To solidarity between young and old, the employed and the jobless, the healthy and the sick.

The schemes we implement are based on wide support of what is, for the most part, the middle-section of society.

If personal interest, short-term gain and the insistence on fast response get the upper hand, they will start eating away at the foundations of our pension systems.

The axe will have hacked at the very roots of social security. Broad-based support will be lost.

Pensions and social security are based on trust, reliable information and long-term dependability.

That basis, that principle of trust, has been shaken.

Not only by what is happening today in the world of finance and economics, but also by the speed with which news is conveyed.

Through social media such as twitter, hyves and facebook, people across the world can link up in record time. Which is a good thing. No doubt about that.

But it also makes people insecure and susceptible to influence.

Trust can no longer be taken for granted.

The pension world would be well advised to be aware of this new world.

The world of fast news.

We must all find a way of responding to this. We have to face up to the new reality.

In the next few days you will be presented with an example from the Netherlands.

Since the start of the year, the Dutch government and the 600 or so pension organisations in the Netherlands have set up a joint Pension Register.

By means of a web service, Dutch pension participants can view their pension entitlement on-line on a daily basis.

If this can give clients more insight into their situation, it may also be a way to keep their trust. In any case, so far, it appears to be meeting a very real need.

Ladies and Gentlemen,

Apart from the basic premise of trust, the pension world rests on the most elementary principles of good governance.

Independent and competent administration, transparency, adequate collection of contributions, a healthy investment policy, reliable and professional implementation (administration) and good client-oriented service.

The ISSA has made Good Governance the spearhead of the organisation's policy for the next three years.

We have developed an interactive tool to convey the multiplicity of guidelines clearly.

We decided we had to make good governance our priority because during the last few years we have been forced to acknowledge that not all actors in the pension world are abiding by the most elementary principles of proper administration.

On a large scale, I could point to cases like Enron and Lehman Brothers, but we have noticed that in many regions across the world, politicians often show a tendency to want to influence the implementation of schemes directly.

Either by intervening in an individual pension case, or by giving direct instructions for investment.

Where this is concerned, we can never be alert enough.

Independent supervision will continue to demand a lot of energy and attention in the coming years.

Ladies and Gentlemen,

It is not only the financial world which is experiencing a major upheaval.

Also within our own domain of pensions, social security and healthcare, much is happening.

The population of the world is still growing.

Healthcare is more and more accessible, and we are all growing older as a result. Our increasing life expectancy is putting the sustainability of pension systems and health care systems under a lot of pressure.

New economies such as Brazil, Russia, India, China and South Africa are growing fast, and they are also investing in social security.

Better coverage for social security schemes has already been achieved. Although there is still a lot of room for improvement.

But there are also new insights into schemes based on solidarity.

Schemes we take for granted, such as pensions, unemployment benefit or incapacity benefit are feeling the pressure from the financial world.

We are experiencing a shift.

A shift that will lead to new arrangements and the reform of social security organisations. Canada, Australia and Turkey, for example, have set up ministries responsible for providing integrated services to citizens.

In the Pacific, pension funds are working across national borders on large infrastructural projects.

Traditionally, the pension world has been synonymous with large investment in infrastructure projects, and in this way, it has contributed to the general welfare. What will happen if this starts to stagnate?

We can see new opportunities but also new tensions forming between collective schemes and individual schemes.

We are following these developments closely through an ISSA project called Dynamic Social Security.

Besides a worldwide Benchmark project called Barometer allows us to compare developments between our member countries.

If one thing is clear from these ISSA projects, it's that the term 'solidarity' is being redefined across the globe. Step by step. Not according to a grand design, but in a pragmatic, ad hoc way.

Solidarity between generations, between the healthy and the sick, between groups of city dwellers and rural communities. This tendency can be seen in every country.

Pension arrangements and social security schemes are growing in number and complexity.

The Ministry of Human Services in Australia, for instance, implements as many as 200 schemes. The daily challenge for us, the implementing organizations, is to make sure that the right amount of money is paid to the right person.

And with diversity on the increase, this also represents our main challenge for the future.

Ladies and Gentlemen,

Most pension schemes and social security provisions date from the last century. Their fundamental principles are about a hundred years old. And many European institutions are the same age.

Since then, much has been copied, adapted, refined and made available to a much wider group of people.

Modern technology, too, has helped us to reduce the cost of reaching the people we need to reach.

It appears that the period in which the system could develop organically has come to an end.

As a result of population growth and the pressure on natural resources, as a result of better healthcare, globalization, migration on a worldwide scale and natural disasters.

It is time to look closely at all those indisputable things we take for granted.

The indisputable pension age.

The indisputable difference between economies.

The indisputable way that the financial markets work.

It is time for a new reality. For new realism.

Realism that faces up to the facts and dares to question all those things we think of as being indisputable.

A great deal is about to happen in our field of work, the reason we are all here today in Amsterdam.

I congratulate the organizers on the initiative they have shown.

You have correctly gaged how up-to-date and fascinating this subject is.

To summarize:

I urge government leaders and the financial markets to understand that in difficult times they have a duty to keep a level head.

I urge pension organizations to be fully aware that the trust they enjoyed in the past can no longer be taken for granted.

New ways will have to be found to regain that trust.

I also urge that the highest priority should continue to be given to the principles of good governance. Transparency and supervision are crucial.

I recognize that the world of pensions and social security is going through a period of great change.

The term solidarity needs to be infused with new meaning. However, the support of the middle-section of our societies is still needed.

Finally I recognize that it is time for New Realism.

We will all have to work longer, live more healthily, take care of the environment and not waste our natural resources and sources of assistance.

Pensions and social security are long-term issues. What is needed is calm and insight, not short-term solutions and the pursuit of profits.

I wish you plenty of time for reflection, and an inspiring WorldPensionSummit.