ARBITRATION AS A STRATEGIC ISSUE

Pension Funds

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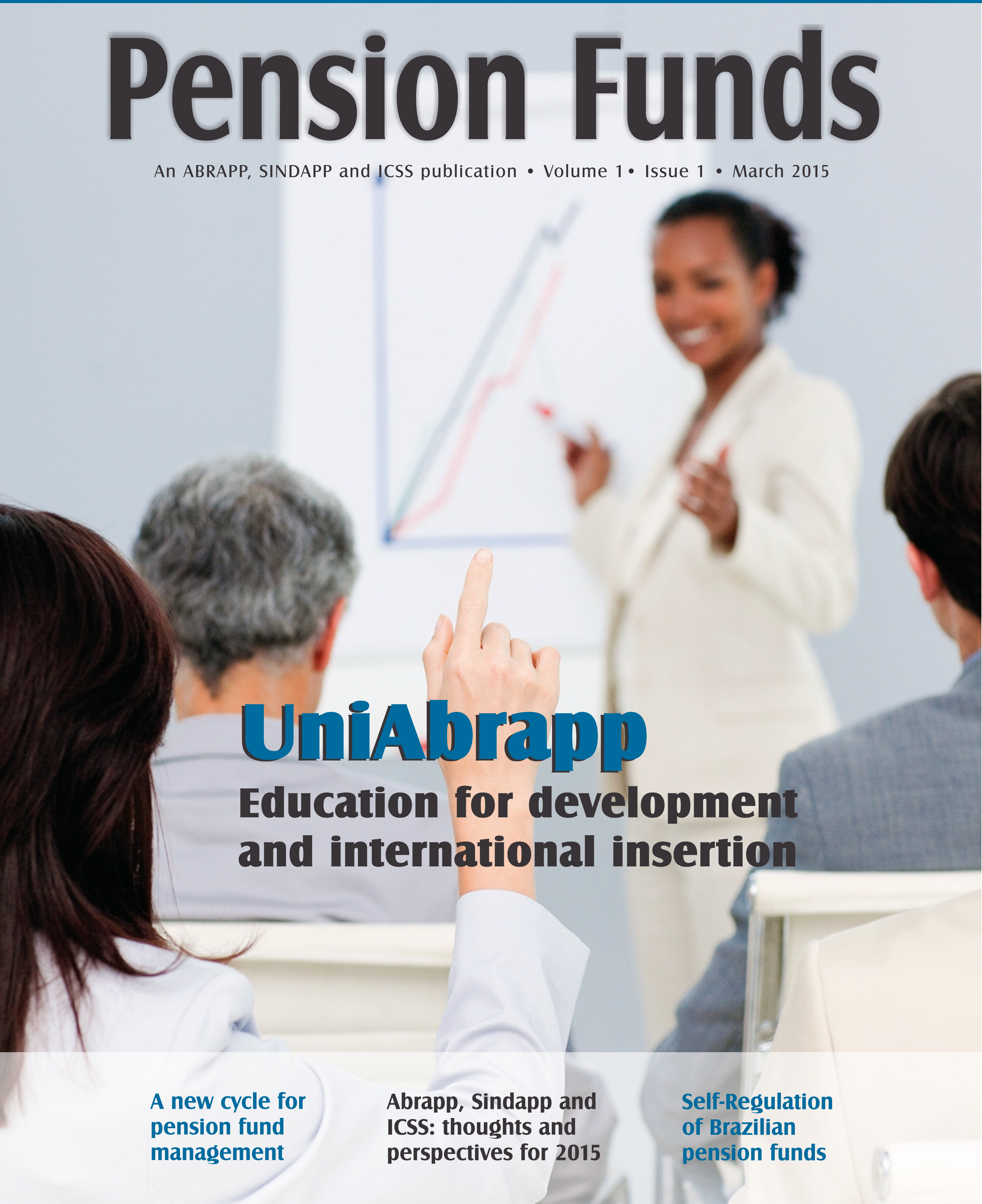

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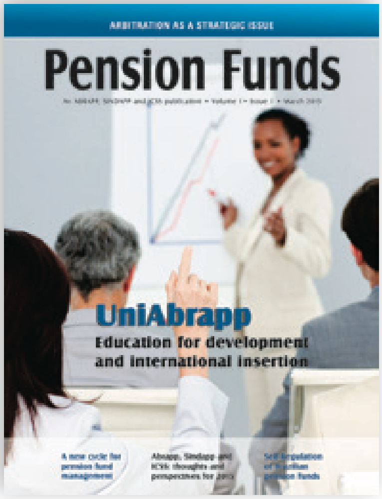

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One of the supervisor's priority goals for 2015 is to encourage the use of its Chamber of Mediation, Conciliation and Arbitration by Brazilian pension funds.

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The Brazilian Association of Pension Funds (Abrapp) has its own technical magazine called Revista Fundos de Pensão (Pension Funds Magazine) - presently published on a bimonthly basis. Since its inception, in 2002, the publication has been fully recognized as an essential source of pension fund information, providing its readers with technical analysis on the latest developments of the industry, in Brazil and abroad, in the fields of plan design, regulation, investments, supervision, risk management and so on.

We have long wanted to work on the English version of the magazine with the purpose to make the Brazilian pension industry better known in the international community. By doing so, we aim at contributing to the exchange of ideas and best practices, thus helping to develop our private pension system.

The search for international interaction is one of the main objectives of UniAbrapp, a corporate university devoted to the training of pension funds professionals in all levels. Established in October 2014, the university relies on modern teaching methods and technology to guarantee a high level of learning in a variety of courses taught by experienced teachers and researchers. This is our cover story.

This issue also features a report on the long-awaited rules for the valuation of assets and liabilities and, as the industry is set to launch its first self-regulatory code, we present the successful case of Anbima, the Brazilian Association of Financial and Capital Markets Entities.

The discussions held by the Center for Private Pension Legal Studies (Cejuprev) focus on the role of the Arbitration Chamber within the supervisory agency (Previc) to create a more favorable environment for the use of arbitration and mediation. Some of the opinions expressed in the latest roundtable organized by Cejuprev can be found here.

Finally, we have asked the presidents of Abrapp, Sindapp (Brazilian Union of Private Pension Entities) and ICSS (Social Security Certification Institute) to talk about last year's most important achievements and their expectations for 2015. For those who are not familiar with the Brazilian private pension system, it is a good starting point.

All in all, this issue is quite a rich one. We hope you enjoy reading it! Please send us any comments and suggestions you may have. We expect to publish two other volumes of the Pension Funds Magazine in English throughout 2015.

Best regards,

Flávia Silva
Editor-in-Chief

UniAbrapp
education for development and international insertion

The University's purpose is to offer high-quality educational solutions focused on the needs of pension professionals in Brazil and abroad

The Corporate University of Private Pensions (*Universidade Corporativa da Previdência Complementar - UniAbrapp*), launched last November, aims to concentrate and disseminate knowledge on the Brazilian private pension system, which includes making the system widely known worldwide. "This was an age-old call from the system. There was a need for an university that could gather knowledge on the sector, including the knowledge accumulated by Abrapp (The Brazilian Association of Pension Funds) throughout the years", says UniAbrapp's president, Luiz Paulo Brasizza.

Internationalization wise, the idea is to encourage the study of the Brazilian pension fund system and, in contrast, make information on other systems available for Brazilian professionals, thus broadening their horizons. "We realized that despite all the background detained by Abrapp on the matter, pension professionals in other countries know very little about our pension funds. The university shall function as a channel of communication for the exchange of pension knowledge."

The insertion of the Brazilian pension fund system in the global academic universe might be a path for developing the system, argues Brasizza. "The system's lack of growth has resulted in a certain degree of isolation, but we have good practices in place that are worth getting acquainted with. Abrapp has a library with more than five thousand volumes of technical works."

This path might unfold many possibilities as long as the university remains at the top of its game. "The most important thing isn't creating the university, but using it as a tool to develop and make the Brazilian pension system sustainable in the long run."

Global Knowledge Exchange

The quest for internationalization, explains Brasizza, begins as Abrapp becomes a reference in Latin America - the 35th Brazilian Congress of Pension Funds, held by the association in November 2014, was the largest one in the world. "We need to be a part of the international academic landscape. Scholars worldwide discuss pension issues considering a 20, 50-year horizon."

The main idea is to establish partnerships with high-level universities in specific regions or countries in the first semester of 2015. "The first step is being taken as the Pension Funds Magazine, an Abrapp/Sindapp/ICSS publication, has just been awarded an English version in electronic format." Important business schools like the London Business University, Wharton School and the Florida International University are on the radar.

MBA courses will be offered outside the country in an attempt to keep a two-way street, thus facilitating the exchange of information between Brazil and other countries. "Although not very well known, our pension funds have practices that compare to some of the best in the world. The university will be a center of excellence when it comes to private pensions."

On the heels of this global effort, UniAbrapp will also organize international seminars, therefore expanding the work already carried out by Abrapp. In order to do so, partnerships with international academic institutions and other entities will be celebrated in Brazil and abroad.

> "The system's lack of growth has resulted in a certain degree of isolation, but we have good practices in place that are worth getting acquainted with"

Well-defined audiences

As a corporate university, UniAbrapp is not intended to resemble a regular university. Therefore, it was legally incorporated without any subordination to the Ministry of Education and Culture, explains Ana Paula Peralta, Events & PR Manager of Abrapp. As noted in the university's mission, the purpose is to act solely in the private pensions' core business, offering educational solutions focused on the needs of pension professionals in Brazil. By doing so, the university aims to strengthen pension funds' management and corporate governance practices.

Projections show that UniAbrapp might serve a universe of 13.000 professionals, including managers, trustees and those who carry out the day-to-day operations of pension entities (public or privately sponsored), not to mention service providers, sponsoring companies personnel, labor unions and so on.

Projections show that UniAbrapp might serve a universe of 13.000 professionals, including managers, trustees and those who carry out the day-to-day operations of pension entities

A recent study conducted by McKinsey & Company have shown wide gaps between formal education and the actual skill needs of the labor market. In a global rank, Brazil holds one of the lowest positions, even though the study reveals that such gaps are not restricted to developing countries. As a matter of fact, it is also a reality in the United States. Given this context and considering the specificities of the Brazilian private pension market, the corporative university has arrived just in time.

Programs & Emphases

From March 2015, UniAbrapp will offer three different types of courses: in company, in-person and distance learning. In the classroom format, the already existing structure of Abrapp courses will be used, along with some improvement and adaptations in order to meet legal requirements. "The classrooms will be fully equipped, which includes videoconference technology. We will have an Integrated Educational Center based on corporate school models", says Brasizza.

In the "in company" format, specific programs aimed at trustees will be available in order to help them prepare for the certification exam. The 60-hour courses will be divided into modules so as to allow for some flexibility, including a practical module devoted to simulating board meetings so that trustees may improve their performance and make optimal use of time. In addition to the fundamental aspects of management, the courses will comprise areas such as investments, actuarial science and accounting of pension funds.

In regards to distance learning, there will be an update of the courses presently offered by Abrapp. The idea is to make them more easily accessible around the clock.

Thinking heads

High quality training requires a committed and experienced faculty, highlights the president of UniAbrapp, Luiz Paulo Brasizza. "We will keep the professors that already teach some of Abrapp courses and also look for other professionals in different areas."

Abrapp has already begun to contact prestigious academic institutions in order to offer an MBA course by the end of 2015/ beginning of 2016. Such courses will have an average duration of 18 months and provide training in private pension management. Those who graduate will be entitled to a diploma accredited by the Ministry of Education.

In the future, UniAbrapp's range of courses might cover subjects associated with the operation of open-ended funds and the insurance market, explains Brasizza. "At a later stage we will be able to offer PhD courses since we have the need for specialized, thinking heads."

Three pillars

Peralta informs that UniAbrapp's educational solutions are structured in three pillars: (1) target audiences' needs, (2) didactic commitment and innovation, and (3) technological investment. The university is emerging step by step and the strategy involves short, medium and long-term goals. Short courses covering different pension models in Brazil and abroad will be readily available.

In the "national module", the idea is to offer an overview of the Brazilian three-pillar pension system; the main differences between open and closed-end pension funds, as well as its social roles. The course will also provide general information on how to create a pension fund. The goal is to serve different audiences, from journalists to sponsoring companies Human Resources personnel and anyone interested in learning the basic features of the system.

The "international module" aims at making Brazilian professionals more knowledgeable about current pension practices in other countries in regards to corporate governance, pension plan design, financial education, investment management, risk management, etc. This course is intended for senior staff members who already have a good background on pension issues. Seminars and guided visits to foreign institutions may also be available.

By creating awards and offering MBA courses and Masters and Doctoral Degrees (in the medium and long term), UniAbrapp intends to encourage literary production and scientific research on pension matters.

Knowledge pathways

Taking advantage of the experience and educational expertise accumulated by Abrapp throughout the years and, at the same time, making use of a new, top-of-the-notch didactic model, UniAbrapp will provide qualification and professional training based on the "knowledge pathways model". These pathways will provide knowledge in nine different areas of pension management, serving as a training tool to help each individual's professional development: corporate governance, risk management, investments, pension benefits, communication and relationship with participants, accounting, legal, and health plans self-management.

The "knowledge pathways" concept allows students to make choices according to their specific learning needs through 8 to 16-hour training courses comprised of three levels: (1) conveying basic knowledge on a given subject; (2) developing skills towards the fulfillment of everyday duties in the best way possible, and (3) stimulating discussions about current issues for updating and recycling purposes.

Good value for money

UniAbrapp is a not-for-profit organization. It was created to expand the offer of educational solutions to pension fund professionals, which is essential for the good governance and management of the system. The idea is to maintain a price policy that is suited to the cost of service, as historically practiced by Abrapp. "The mission is to expand and, in order to do so, we must offer good value for money", explains Ana Paula Peralta. ■

A new cycle for pension fund management

One needs to have a deeper knowledge of the criteria for asset and liability valuation so as to take advantage of the flexibility brought by the new rules

Brazilian Pension Funds start 2015 in a new regulatory environment concerning the valuation of assets and liabilities; an unprecedented regulatory foundation that is here to correct the distortions caused by the linear and inflexible treatment imposed by previous norms. The model that fixed actuarial interest rates rigidly, not taking into account the liability duration of each plan, precluded a realistic picture of the asset/liability balance. From now on, the discount rate calculation shall be based on the Parameter Interest Rate (TJP, in Portuguese), which reflects the actual market rates panorama.

With the two norms published in last November - Resolution CNPC 15, which altered Resolutions CGPC

18/2006 and CNPC 09, and Resolution CNPC 16, which altered CGPC 26 and CNPC 08 - a new cycle of adaptation starts. Specialists believe these models can have a gradual impact on the way the plans' assets are managed in the long term: "We will now have a flexible rate and regulatory stability regardless of the economic scenario. It will be possible to justify the rate amount since it will be linked to the market interest rates", says Mauricio Nakata, Director of Actuarial, Economical and Accounting Affairs in The National Superintendence of Private Pensions (Previc), the supervisory body.

This change, understood by managers and specialists as a change of paradigm with regards to valuation, was a result of extensive discussions carried out by the National Council of Complementary Pensions (CNPC), the regulatory body, and Abrapp's Ad Hoc Technical Commission of Solvency and Asset/Liability Valuation. Soon after being published, the new rules went through a series of workshops conducted by the association in several of Brazil's state capitals. The meetings, in which participated Previc representatives and other specialists, helped to clear doubts from pension funds and, above all, to raise questions that served as guidance for the government to elaborate Normative Instructions that will complement the rules in early 2015.

Asset allocation

The new norms give pension funds greater automony, imposing a change of attitude on the part of managers when analyzing assets and liabilities. The change is expected to contribute to an effective integration of strategies and stimulate more aggressive asset allocation policies that will enable the achievement of the risk

> The new actuarial rate may be adjusted depending on the economic scenario and the duration of the plan's liabilities

premium embedded in the calculation of the Parameter Interest Rate (TJP).

The new picture will add volatility to assets and liabilities since they'll fluctuate more in line with market conditions. However, the most important outcome will be lower volatility when compared to the previous model.

"The Actuarial Rate will continue to be defined by pension funds with the guidance of Normative Instruction 7, which remains valid," says Fernando Gazzoni, president of the Actuarial Consultancy firm Gama. But since the rate is now adjustable depending on the economic scenario and the duration of the plan's liabilities, it should fluctuate within a range of minimum and maximum limits related to the TJP, which corresponds to the average of three-year daily Interest Rate Term Structure (ETTJ, in Portuguese) of federal bonds linked to the Broad Consumer Price Index in their closest spot in relation to the duration of the plan's liabilities.

The upper band of this interval shall be obtained by adding 0.4% a year to the TJP, a percentage that will award a "risk premium" to the pension entities that deem possible to achieve greater profitability. The lower band will be equal to 70% of the TJP.

The variation within this interval shall not require previous authorization from the supervisory agency (Previc). This will only be necessary if the fund manager wishes to use an actuarial rate outside the aforementioned interval. In order to do so, the manager will need to conduct technical studies that corroborate his request. The decision to impose a lower limit, explains Nakata, was made with the purpose to avoid the use of artificially low rates by pension entities. This is a concern of both Previc and fund participants' representatives. "This artifice reduces mathematical reserves and may cause deficits that impact participants' contributions." There was also the need to deal with artificial results intended to avoid surplus distribution. "We currently have sixteen plans that work with a liability discount rate below 2%", Nakata informs. He recalls that the new regulation rose in line with the concept of Risk Based Supervision and should result in simpler processes and lower costs for pension funds.

Reliable picture

The new set of norms provides a clearer picture of each benefit plan's financial situation. In that sense, it has fulfilled the objective of the system's proposal, which was to come up with a regulation that gave benefit plans deeper knowledge about themselves. This is the evaluation of Silvio Rangel, Superintendent of Fibra pension fund and coordinator of the Ad Hoc Commission of Solvency and Asset/Liability Valuation.

"The debates that led to the overall review of the regulation on assets, liabilities and solvency followed some basic principles defined by Abrapp", Rangel explains. Amongst them are: The pursuit of regulatory stability; the demonstration of the actual situation of the benefit plan regardless of external conditions; the use of smoothing mechanisms in actuarial liability valuation and its adaptation to the duration of cash flow; and the fostering of long term management.

But not all of the principles were implemented in the way that was originally proposed by the industry, says the commission coordinator. "Regarding the three-year average of the ETTJ structure used in the calculation of the Parameter Interest Rate (TJP), for instance, the original proposal was for a five-year average, because it allowed for further smoothing of volatility." In any event, Rangel admits, the regulatory framework has reached its main goals regarding valuation, the priority now being to deepen the debate on the still pending solvency issue.

> The new regulation rose in line with the concept of Risk Based Supervision and should result in simpler processes and lower costs for pension funds

Cash Flow Protection

The impact shall depend on portfolio analysis vis-à-vis the cash flow matching-operations executed by pension funds using federal bonds linked to price indexes.

In these operations, Rangel explains, the bonds are taken to the maturity date and priced by the acquisition curve in accordance with Resolution CGPC nº 04/2002. In theory, "cash flow matching" operations should not produce deficits and surpluses due to changes in the economic scenario or asset/liability valuation criteria. "However, with the actuarial target rate reduction of the past year, these bonds are no longer producing the flow hedging accounting effect, given that, despite having been purchased for rates that are higher than the new target, the result is only embedded over time." As a result, the situation has become paradoxical because there was an economically hedged flow, but it appeared as deficit in the accounting ledgers.

In 2012, in order to go around the problem, some entities changed their asset valuation to the marked-to-market approach so as to try to incorporate these results into their balance sheets. That measure was forbidden, however, by Previc Circular Letter nº 1/2014. This gave way to the possibility that underfunded pension funds might not actually be in this position, and that scriptural deficits might not portrait the funds' real solvency situation.

"Due to the change in liability valuation, actuarial target rates tend to converge with market tendencies", Rangel points out, and if the valuation method of cash flow matching operations had not been simultaneously reviewed, they would have ceased to be an attractive investment option, causing greater and unnecessary risk exposure.

Impact on Management

How much will this new environment, which produces a more reliable picture of the plans' funding status, encourage more proactive and "prone to risk" investment management? There are favorable factors related to this change, but also questions regarding its impact.

"For the first time we have rules that encourage calculated risk-taking, which is demonstrated by the 0.4% spread above federal bonds' average rate. So whoever wants to be entitled to this premium in the calculation of their actuarial rate will have to seek higher returns and, consequently, take slightly higher risks."

> "For the first time we have rules that encourage calculated risk-taking, which is demonstrated by the 0.4% spread above federal bonds' average rate"

The essence of the matter is that the new regulatory model induces more proactive management on the long run, since the rules provide managers with a risk mandate, in theory. By searching for "something extra", this difference will immediately be reflected in the valuation.

For the new norms to achieve their full potential, Rangel highlights that it'll be paramount to revisit the solvency limits, a topic that was left pending in the agenda. "The solvency limits must be compatible with the plans' duration, but nowadays there's a 10% limit for liabilities with 30-year duration, which is incompatible."

From now on, changes are expected in the investment management arena, with a more aggressive attitude on the part of asset managers. "These professionals will need to have a deeper knowledge of discount rate valuation so as to take into account the greater flexibility offered by the norm", warns Gazzoni. ■

Abrapp, Sindapp and ICSS: Thoughts and perspectives for 2015

2014 was a difficult year for pension funds and 2015 will not be any different. It is time to adjust to the recently implemented rules

As a request from the Pension Funds Magazine, José Ribeiro Pena Neto, Nélia Maria de Campos Pozzi e Vitor Paulo Camargo Gonçalves, presidents of Abrapp, Sindapp and ICSS respectively, indicated some of the most important steps taken in 2014 and the challenges that lie ahead for the Brazilian private pension system. Given the country's fiscal and economic situation, they agree that the outlook is challenging, to say the least. Nevertheless, there is a sense of optimism in the air given the appointment of the new Planning, Treasury and Social Security ministers. "They have all it takes to coordinate the efforts to reestablish the balance of public accounts. They know that in order for Brazil to grow, it needs to save more and better", highlights Pena Neto. In this context, pension funds will be able to play an important role in financing long term projects while continuing to provide social protection for their members and beneficiaries.

Looking back

According to the president of Abrapp, 2014 was a difficult year in terms of asset management. "Even though the volatility throughout the year was not as evident as the year before, we faced more difficulties due to the problems at Petrobras." However, as highlighted by Pena Neto, the performance of pension plans cannot be measured in the short term. "We are doing well as far as long term performance is concerned."

From Abrapp's perspective, 2014 was a positive year in which pension funds' executives joined forces towards the achievement of common goals. "This unity had a positive impact on discussion forums. The asset and liability norms, for example, were a result of the great cooperation effort on the part of professionals from legal, investments, actuarial and accounting fields." Such unity was once more confirmed during the 35th Brazilian Congress of Pension Funds, held in November, in the city of São Paulo. The event hit record audience, received great reviews from the attendees and its panels were considered to be of high technical level. "It is, without a doubt, the greatest private pension event ever hosted in the world", says Pena Neto.

From Abrapp's perspective, 2014 was a positive year in which pension funds' executives joined forces towards the achievement of common goals

Nélia Pozzi, president of Sindapp (Private Pension Entities Union), believes that 2014 was atypical due to a number of relevant events that ended up interfering with the calendar and the main indicators. "The market imposed great challenges that made it harder for us to achieve our actuarial targets rates; the recovery from the bad results of 2013 was even more challenging", she adds.

Sindapp represents pension funds in labor negotiations and collective agreements. "We are the legitimate representative entity of pension funds", highlights Pozzi. "In addition, we look after pension executives' legal defense through the provision of guidance, publications and the offer of a D&O collective insurance policy."

2014 was the first year of a new term for Sindapp's board of directors, whose composition was renewed. The organization worked on its Strategic Plan for 2014-2016 covering the most relevant subjects for the sector. Some of the goals are shared with Abrapp. In such strategic planning, the long-awaited self-regulation initiative stands out. "Now that a mixed commission composed of Abrapp, Sindapp and ICSS representatives was created, we will be able to see the first steps being taken toward the achievement of this important and complex goal."

In another front, Sindapp, along with Abrapp, has carried out a survey among its affiliates, which served as a subsidy for a diagnosis of the system, which was formalized in a document delivered to the supervisory agency (Previc). According to Pozzi, the practical effects of such important initiative may already be seen. The union also started to solve some of the problems involving work relations in the states of Rio de Janeiro and Rio Grande do Sul, providing greater security and tranquility to the affiliates in those states.

"The Ethics Committee, which is part of Sindapp's structure, was also renewed", says Nélia Pozzi. Promoting ethics is one of the cornerstones of the union's work. Besides having established the committee, Sindapp holds an annual seminar, which promotes ethics as an essential value. In addition, it works to disseminate the thesis that reinforces the importance of the regular act of management in association with the fiduciary duty. "It is important to point out that we experienced a gradual increase in the number of affiliates in 2014", concludes Pozzi.

From the institutional point of view, Vitor Paulo Camargo Gonçalves – president of ICSS (Social Security Certification Institute) – notes that in 2014 everything went as planned. "We have noticed a significant increase in the demand for certification in the second semester, as well as a rise in the number of applications for re-certification, a total of 3.2 thousand events from July to November."

ICSS also verified the possibility to develop certification methodologies for other segments, establishing technical cooperation agreements with the Federal Administration Council and the Regional Administration Council of São Paulo.

Regulatory progress

The presidents of Abrapp, Sindapp and ICCS believe that 2014 brought significant improvements in the regulatory framework of pension funds, notably the new rules governing the valuation of assets and liabilities. "In a short period of time we managed to come up with an elaborated regulation on asset/liability valuation that I regard as an extraordinary technical response from the industry", Abrapp's president notes. "It will enable plans with different characteristics to be treated accordingly, thus offering greater transparency to supervisor, members and sponsors."

"We managed to come up with an elaborated regulation on asset/liability valuation that I regard as an extraordinary technical response from the industry"

However, the industry still needs to complement these rules with a comprehensive norm on solvency, states Pena Neto. He expects a new solvency rule in the first few months of 2015.

Other important issues that are currently under discussion are risk sharing mechanisms and the certification of pension professionals. The rule that sets forth investment limits also needs to be reviewed, something that should happen in 2015. "With the beginning of a new term in Congress and the renewal of the government's teams in the Treasury and Social Security ministries, we intend to bring forward the debate on the tax treatment of private pension plans' members and sponsors", says José Ribeiro, president of Abrapp.

In his opinion, there needs to be a reevaluation of the legislation in order to promote the growth of the private pension industry. "Nowadays, only large companies and high income individuals have the right incentives to participate in private pension plans. We need to change that by reassessing the tax treatment of those willing to save in the long term. In order to do so, we need to change the legislation."

In Nélia Pozzi's opinion, the year will be remembered as a time of "meaningful regulatory changes regarding pension plans technical aspects". Important adjustments were also made through Previc's Normative Instructions, resulting in simplification and lower costs for pension plans.

Adjustment period

Nonetheless, 2015 will be a challenging year due to such changes, demanding great adaptation efforts on

"Only large companies and high income individuals have the right incentives to participate in private pension plans. We need to change that"

the part of pension managers. "I think that the next few months will be dedicated to the execution and testing of the new rules. We need to take advantage of the 'adaptation period' - when there is more flexibility for observing the new rules - so we can be well-prepared for the decision-making process that comes afterwards", she adds.

According to Pozzi, the new regulatory changes can be seen as a paradigm shift, "which is very good", she points out. "Everyone will have to adjust the focus and change the way they analyze data and make decisions. It will be a period for discussing and exchanging ideas."

As far as investments are concerned, asset managers will be forced to calibrate their portfolios in order to adapt to the recent changes in the interest rate calculations. "Being properly prepared is crucial, so that decisions can be made in a safe way and more importantly: plan members are kept well informed and reassured."

Demands to Previc

The industry intends to maintain a close relationship with the supervisory agency (Previc) and discuss relevant subjects pertaining to the industry. In Pozzi's opinion, the list of demands is extensive, requiring persistence and bargaining power. "It is paramount that we work with Abrapp in joining forces and expertise in favor of the growth and sustainability of the industry."

Abrapp hopes that the supervisor's new management team, that took office at the end of 2014, continues to work towards the exoneration of the industry and the reduction of bureaucracy in the licensing process. "We expect the agency to decide for the effective implementation of Risk Based Supervision, avoiding possible deviations without getting entangled in small details", says José Ribeiro. However, highlights the president of Abrapp, the most important change the industry wishes to see this year concerns the tax treatment of pension funds, something that does not depend exclusively on the supervisory agency, although it can contribute to make it possible.

Uniabrapp

In terms of industry development, the establishment of UniAbrapp has an important role to play in terms of professional qualification and dissemination of good practices. "In 2015, UniAbrapp will take over all of Abrapp's training activities, consolidating itself as a center of specialized knowledge on the Brazilian private pension system", explains José Ribeiro.

Throughout the year, the new corporate university will work on the details regarding the courses offered, its physical location and distance learning projects. "By doing so, we expect to be able to offer extension and MBA courses as soon as 2016, along with foreign exchange programs."

Until November 2014, 2.944 professionals had been certified by experience and 307 by exam, totalling 3.251 certification processes since 2010

Professional certification

"Generically speaking, having a certification indicates that the professional was evaluated according to previously established and recognized criteria", explains the President of the Social Security Certification Institute (ICSS), Vitor Paulo Gonçalves.

In the Brazilian private pension system, argues Gonçalves, the certification process allows for greater reliability for pension funds and their members and beneficiaries, since the certified professionals had their capacities and qualifications properly tested. "We cannot forget that the certification and the re-certification processes encourage the continuous search for professional development."

From the ICSS point of view, among the main achievements of 2014 were the changes made to the Continued Education Program (PEC), which will begin to incorporate points awarded to pension funds' directors and trustees according to their professional experience.

Until November 2014, 2.944 professionals had been certified by experience and 307 by exam, totalling 3.251 certification processes since 2010, when the program was created. Out of this total, 503 professionals obtained the certification by experience and 82 by exam in the past year. The certification with emphasis in Management predominates, with a total of 2.550 certified professionals so far (470 in 2014), followed by the certification with emphasis in Investments (total of 682, 108 in 2014) and accounting technicians (19, 7 in 2014).

Re-certification and appointment of trustees

"We stand up for the fact that the appointment of pension managers should not be subject to previous analysis by the supervisory body", says Vitor Paulo. After all, he adds, there is a set of requisites that has to be fulfilled by the candidate, whether he/she is elected by plan members or nominated by the sponsoring company.

As far as the re-certification process is concerned, the institute believes that it should not be defined by law, being self-regulated by the market instead. "We believe that the certification and re-certification processes should be promoted and that every professional should see it as the result of his/her continuous efforts towards professional development."

The way forward

In 2015, ICSS intends to carry out studies with the aim to implement a scoring system associated with pension fund governance, so that the supervisory authority can recognize those entities with good governance practices in place. "Without a doubt, one of the main goals will be the acknowledgement, by the supervisory body, of pension funds' evolution, so that they can be somehow rewarded for it."

ICSS intends to implement a scoring system for pension fund governance, so that the supervisor can recognize those entities with good practices in place

Another purpose of the institute is to promote the institutional relationship between pension funds. In order to achieve this goal, the ICSS set up a visitation schedule to answer any questions related to the certification process that pension entities might have, as well as receive suggestions on how the process could be improved. Such "talks" should be enhanced in 2015.

Vitor Paulo expects the new norm on the certification of pension professionals to be enacted in the beginning of 2015. A work plan designed to guide the activities of the institute – including the review and improvement of ICSS processes – should also be concluded in the current year. ■

In search of diversification

The regulation should facilitate foreign investments by pension funds. There is concern about the negative impact that an abrupt fall in interest rates could have on portfolios

Pension fund investment managers have been trying to convince the supervisor (Previc) of the urgent need to review CMN Resolution 3.794 - the norm that sets forth investment limits for pension funds. The idea is to review some aspects of the regulation in order to enable new types of investments even in a scenario of high interest

"The present scenario hinders any attempts towards diversification. It is difficult to think of options outside the fixed income segment when the rates are at their peak"

rates and economic turbulence. A change in the 25% limit for investments in real estate and the possibility to invest in fixed income ETFs are among the calls from the industry.

High interest rates and risk aversion

"The 2015 economic environment is challenging. There is clear risk aversion throughout the world", says Maurício Wanderley, Director of Investments at Valia, the sixth largest Brazilian pension fund in number of participants. There was a perception that the risk aversion generated by the world financial crisis of 2008 would be gone by now, and that the markets would be more at ease. But according to Wanderley, this is not true. The landscape is still disturbing as far as the FED policy is concerned, which justifies such high level of caution on the part of market participants.

In Brazil, the high interest rates have favored long maturities with attractive rates that enable pension funds to reach their actuarial target rates. Therefore, in theory, there would not be enough reasons to look for investments outside the traditional fixed income segment. "The present scenario hinders any attempts towards diversification. It is difficult to think of options outside the fixed income segment when the rates are at their peak. However, we cannot lose sight of the long term and the opportunities brought by adverse scenarios."

Wanderley, who is also the coordinator of Abrapp's Technical Commission on Investments, highlights that the year of 2013 taught pension funds a valuable lesson, since there was a considerable amount of stress in the domestic fixed and variable income segments. "It was a difficult year. It became clear that one needs to have options when it comes to portfolio construction in order to achieve returns that are compatible with actuarial target rates even in the face of highly challenging environments. Diversifying in terms of products and geographical areas has become indispensable."

Foreign investments

The review of Resolution 3.792, from the National Monetary Council, would be paramount to encourage diversification at a period in which pension funds have been downsizing their variable income allocations.

The industry expects the investment rule to be reviewed so as to allow for more than 10% of a pension fund's total assets to be invested abroad

Although pension funds are still experimenting when it comes to foreign investments and, for this reason, the volume of assets invested overseas is low, no one can deny that this growing trend is here to stay. "The options in the Brazilian equity market are very limited and investing abroad can be a good way to diversify within the variable income segment."

The industry expects the investment rule to be reviewed so as to allow for more than 10% of a pension fund's total assets to be invested abroad. There is also the expectation for an increase in the 25% limit for pension fund participation in foreign investment funds managed in Brazil.

Brazilian pension funds are not allowed to invest directly in foreign markets. In order to do so, they need to resort to local investment funds that serve as allocation vehicles to international funds. The limit imposed by the regulation compromises portfolio construction once it makes it necessary for local investment fund managers to find four different pension funds willing to invest in that specific fund at that precise moment.

The industry proposes that the 25% limit be applied not to local investment funds, but to the international fund shares in which the assets are being indirectly invested. The industry would also like to have fixed income Exchange Traded Funds (ETFs), something that would facilitate the management of assets, as well as an increase from 8% to 20% in the limit for investing in real estate, which would help consolidate real estate funds and private equity funds in the real estate segment.

In the long run

The review proposal for CMN Resolution 3.792 has been agreed upon between Abrapp and Anbima (the Brazilian Association of Financial and Capital Market Entities). Throughout 2015, Abrapp's Investment Commission intends to continue the debate surrounding the improvement of the investment regulation for Brazilian pension funds. However, points out Maurício Wanderley, from Valia, a more active attitude towards asset management on the part of the country's pension funds does not depend exclusively on the regulation, but on the interest rate movements in the whole financial industry. ■

Solvency, the third angle of regulation

The Brazilian pension fund system lacks a clear rule that provides adequate treatment for plans with different characteristics

There are no objective references to solvency within the legislation that oversees pension funds in Brazil. According to the actuary and president of consulting firm Gama, Antonio Gazzoni, such measure is of great importance so as to verify the "financial status" of pension plans, such is the case in the world´s most advanced pension systems.

Complementary Law nº 109, from 2001, establishes that before any surplus can be distributed, a buffer up to 25% of the plan's mathematical reserves must be set aside. In 2008, the regulator (CGPC), through Resolution 26, defined that, amongst other obligations, all plans, in order to proceed with the use of their surplus, should "set aside up to 25% of their assets for contingencies". However, by not disciplining how this limit should be determined by each benefit plan, the norm ended up treating different plans in the same manner.

Differently from what was set forth in the case of surpluses, the CGPC has addressed deficits by admitting that benefit plans with up to 10% underfunding should be treated in a given manner and those plans that crossed the margin should abide by a different set of rules.

Such norms cause distortions. A young benefit plan open to new members, with many years of capitalization ahead, is treated exactly the same way as a highly mature, closed plan that only has beneficiaries. The solvency levels and recovery periods of these two plans are distinct. However, they have to follow the same rules.

After some experience on addressing deficits and surpluses has been accumulated in the country, the need to make adjustments in the solvency regulation of pension plans is clear. First of all, it is necessary to create a unique concept of solvency that sets forth the same metrics for all pension plans. Studies conducted by the Abrapp instituted *Ad Hoc* Commission have made progress in providing data to support this debate between society´s private agents and the government.

According to Gazzoni, the important thing is that all the parties involved reach a common understanding, such was the case with the rule on the valuation of assets and liabilities. "We will continue to change paradigms through measures that serve our system well, providing the due adjustments and modernization it needs."

New rules look to correct distortions

The changes in the liability valuation method are in line with successful models from other countries, such as the USA, Canada and the UK, which use the rates from federal or high quality corporate bonds to measure actuarial liability. Other meaningful alterations are related to the recovery periods and standards for measuring the results.

In solvency terms, a young benefit plan open to new members is presently treated exactly the same way as a closed, highly mature scheme

The changes in the liability valuation method are in line with successful models from other countries, such as the US, Canada and the UK

For deficit calculation purposes, Resolution CNPC nº 16, in turn, allows entities to incorporate into their balance sheets any future gains or losses from government bonds attached to price indexes kept until the maturity date. In cases of surplus distribution, the norm only foresees the incorporation of losses. Although the balance sheets do not reflect such adjustments since accounting rules do not allow future results to be incorporated in the current accounting period, the plan´s solvency is now calculated based on the adjusted result.

From now on, the industry will discuss proposals for a new solvency rule. The main modifications involve limiting the plans' deficits according to their duration instead of establishing a fixed figure, the way it is done today. The deficit limit would be of 1% for every year of duration, up to a maximum level of 15%.

Minor Changes

"Just as it's paramount to take the contingency rule into account during favourable economic periods, pension entities request that flexible rules for deficit recovery be applied in unfavourable times as long as the plan's sustainability isn't threatened", explains actuary Magno Camelo, from Luz Soluções Financeiras.

"Nowadays, most buffer funds are not considered for solvency purposes. However, some could be used to reduce deficits according to the plan's by-laws and Actuarial Note. In such cases, it would be justifiable to consider them when estimating the plan's funding status", says Camelo.

The next step would be to broaden the scope of solvency level analysis by looking beyond the plan's funding status. "Solvency should not be analysed considering the present value of assets in relation to liabilities, but the future behaviour of cash flows."

The increase in life expectancy presents another challenge. The solvency level analysis should reflect more than the additional life expectancy of participants and beneficiaries on the date of the evaluation. It should take into account the tendency of new increases in longevity over time. Entities should monitor this risk and adjust their assumptions whenever necessary. The supervisor (Previc) and the regulator (CNPC) could create rules that allow occasional underfunding resulting from the use of conservative actuarial tables, specifying that any gains in life expectancy be dealt with under different timeframes. ■

Self-Regulation of Brazilian pension funds

The model idealized by the industry seeks to prioritize legitimacy, enhance information transparency and increase public confidence in the system

Protecting members' interests while increasing society's trust in the pension fund system: these are the main objectives of a self-regulation model being developed for the Brazilian pension fund industry. Such model is inspired not only by international experiences, but also by successful cases within the Brazilian market, notably the investment fund industry represented by the Brazilian Association of Capital and Financial Markets Entities (Anbima).

International and domestic examples of self-regulation show that, when efficient, the models have the power to develop and protect the industries that embraced them

"Since the beginning, self-regulation has had the legitimate purpose of benefitting investors", claims Jose Carlos Doherty, General Superintendent of Anbima. Some elements of the self-regulation of the Brazilian Bank Federation (Febraban) and the National Council of Self-Regulation in Advertising (Conar) are also being considered in the studies developed by the Joint Commission of Self-Regulation for pension funds composed by representatives from Abrapp, Sindapp and ICSS.

"We intend to build a normative framework that can help us eliminate the barriers that hinder the growth of the private pension system", says José Luiz Taborda Rauen, the commission's coordinator. Among these obstacles, he cites the "feeling of vulnerability stemming from normative instability which harms all pension entities and affects companies that could eventually sponsor benefit plans." Besides, it's believed that self-regulation would have a positive effect on the quality of the norms, which would then be created by people from the industry itself. Presently, it is not always the case.

International and domestic examples of self-regulation show that, when efficient, the models have the power to develop and protect the industries that embraced them. On the other hand, the lack of self-regulation codes could result in norms that are often poorly elaborated. "Promoting the legitimacy of privately-elaborated regulation would help mitigate the risks embedded in official regulatory models. One of those risks is having badly connected rules, such was the case, for example, with the old norm that established a descending "ladder" for pension funds actuarial rates, giving way to a deep discrepancy between the lack of flexibility of the rule and the volatility of market rates", argues Rauen.

Priorities

At the heart of the discussions carried out by the Abrapp Self-Regulation Commission are topics such as the certification of pension funds' internal processes - considering their quality and transparency - and the relationship between pension funds, members and sponsors. "The idea is to learn how self-regulation can be designed so as to regulate areas that fall outside the scope of the State's supervision", points out Abrapp´s Legal Director, Luis Ricardo Marcondes Martins. According to him, "one should not take the risk of trying to regulate matters that are already subject to State norms, which would be unproductive and generate more bureaucracy and costs for pension funds."

The starting point is to look over the complex and multidisciplinary activities of the pension fund industry and identify the areas in which there is still room for self-regulatory action.

Gradual implementation

Self-regulation can take up three different formats: The self-regulatory body being established by the government, the market or acting exclusively as a "coordinator" of good practices. There are also several aspects that characterize the self-regulatory entity. In Anbima's case, the model is considered to be private and voluntary because the entities that are not affiliated to the Association can choose if they want to abide by the rules or not.

For Brazilian pension funds, explains Rauen, the most appropriate model is the one used by Anbima. "Given that the private pension system is autonomous, voluntary and based on the capitalization regime, we favour the type of self-regulation that complements State regulation, but without an official mandate." The publication of self-regulatory codes will be essential for the initiative's success.

A look at Anbima's framework reveals that the rules are more restrictive or detailed in comparison to those set forth by the official regulation, explains consultant Luiz Calado. The investment fund classification system, for instance, designed to provide the investor with greater transparency, consists of more than 40 (forty) categories, whereas the classification of the Securities and Exchange Commission of Brazil (CVM) is made up of only seven fund types. "Anbima's case is emblematic because the self-regulatory initiative was first established to protect the interests of investment funds' shareholders and IPO participants. Keeping the focus on your audience is of fundamental importance."

Focus on supervision

The self-regulation initiative is being built upon a series of supervision measures to be developed by the responsible entity. In the case of the investment fund industry, off-site supervision was at first carried out through the analysis of the funds' advertising practices and documentation. The off-site supervision of pension funds, highlights Rauen, would comprise the certification of pension fund internal processes and the publication of self-regulatory codes covering specific subjects such as member communication, corporate governance and so on. However, before any actions are defined, there has to be

"Given that the private pension system is autonomous, voluntary and based on the capitalization regime, we favour the type of self-regulation that complements State regulation"

A widely debated subject is the market's relationship with State regulators once self-regulation is established. In Anbima's case, the solution was straightforward communication

public hearings and a broad discussion involving all stakeholders.

Pension funds that abide by the rules could receive a quality label such as ISO, explains Rauen. The direct supervision would consist of norm enforcement, with onsite visits being conducted by the supervisor to ensure legal protection for regular management acts and avoid occasional arbitrariness.

The model also envisages the establishment of self-regulation councils responsible for providing strategic technical advice, approving codes and awarding the quality label. "These councils shall be composed of pension fund executives and partner institutions such as IBA (Brazilian Institute of Actuaries), Anbima, OAB (Brazilian Bar Association) and IBGC (Brazilian Institute of Corporate Governance), among others. " The idea is to have a structure that goes hand in hand with State regulation, focusing on the protection of plan members and treating diverse funds accordingly, which is a primary condition for the sustainable development of the pension industry.

Develop and protect

The contribution of self-regulation to the development of the investment fund industry is clear, says José Carlos Doherty, Anbima's superintendent. "The industry suffered from uneven practices, so the elaboration of the code contributed to its sustainability."

Other benefits include the anticipation of tendencies and the positive influence of self-regulation in the development of the regulatory framework. The elaboration of a certification code for investment funds is a clear example of such positive impact, according to Doherty. "With the elaboration of the code, we ended up anticipating the concept of suitability in the private equity industry, helping it protect itself." About two years ago, following a long debate with the stakeholders, the Securities and Exchange Commission (CVM) published a set of norms for the sector, but when it happened, CVM could already rely on the comfort and safety resulting from the industry's previous efforts.

A subject that has generated worldwide discussion is the market's relationship with State regulators once self-regulation is established. In Anbima's experience, the challenge has been dealt with through continuous talks and, as the industry adjusted itself, the regulator started paying attention to the results. Some milestones provide

Self-regulation is a political decision and, because of that, all stakeholders must agree with the initiative. The model should be independent

insight on this relationship: In 2006, CVM chose Anbima to take part in the Self-Regulatory Organization Consultative Committee (SROCC). Anbima's superintendent, who has chaired SROCC for the past two years, also mentions an agreement signed by CVM and the Association enabling the latter to perform prior analysis of public offers, an arrangement that has given more agility to the market.

Autonomy and transparency

According to Doherty, self-regulation is a political decision and, because of that, all stakeholders must agree with the initiative. The model should be independent, since the self-regulatory entity needs a certain degree of autonomy to put together the supervision team that will investigate and punish. "Autonomy is paramount to give credibility to the model. There must also be full transparency and a focus on educating market participants." However, accomplishing all these goals does not come without financial and operational costs. Financial resources are necessary to put together the supervision team and enable stakeholders to adjust to the new environment.

Basic Principles

In Calado's point of view, the core principles of pension fund self-regulation in Brazil should be as follows: (1) Focus on the participant so as to increase information transparency; (2) Control of implementation costs; (3) Evaluation of the impact of the rules before they apply; (4) Improvement of supervision standards; (5) Regulatory stability; (6) Application of sanctions in case of non-compliance; (7) Exchange of information with the regulator; (8) Support for financial education initiatives and enforcement of the fiduciary duty, and (9) Promotion of the Risk-Based Management concept.

A "Relationship with Participants" label would come as a first step towards self-regulation with an aim to increase transparency and improve the quality of information provided to plan members. In addition, Calado suggests that recommendations be made in order to improve the quality of pension fund corporate governance by focusing on methodologies and processes in the investments and benefits areas. ■

RBS: Synchrony between management and supervision

Despite the progress achieved in the past few years, pension funds' response to the model is still heterogeneous and requires attention

The adaptation of Brazilian pension funds to the Risk Based Supervision (RBS) model has reached a new level. RBS has yet to be fully implemented: the responses are heterogeneous and adjustments need to be made both on the supervisor and pension funds side. But it does not mean that the changes brought about to the private pension sector and the performance of the supervisory agency (Previc), as a result of the adaptation efforts made so far, are not visible. More effective risk metrics, new management practices, governance improvements and a new form of relationship between pension entities and the supervisory body are among recent achievements. All these aspects must still develop further, although the path to be followed has already been determined.

The Risk Based Supervision concept used by the financial system (Basel II), insurance companies (Solvency II), and later by complementary pension systems, has added risk analysis to the traditional rule-based supervision. At the other end, it requires that pension funds fully exercise the principles of risk based management. All stakeholders need to work together in order to generate efficient results; it is also important that pension managers and the supervisor communicate effectively.

The increased focus on risk management by supervisors and supervised entities requires a change in paradigm, and this transformation, specialists point out, demands learning. One of the main results of this change - easily identified in the Brazilian pension fund industry - is the alignment of governance practices, which has strengthen the role of governing and supervisory boards.

The boards' role

The backbone of RBS is the change in pension funds' management in a way that entities come to look at all the risks they are exposed to. "The CGPC Resolution 13 has established the foundation for the implementation of significant changes in the funds' governance structure, allowing them to respond to supervisory requirements in a number of ways", says actuarial consultant Edson Jardim, manager of Buck Consultants in Brazil. One of the key evolution points concerns the boards' performance and the supervisor's work. "Relevant matters are subject to the boards' scrutiny and decisions are made on a more technical basis. There is greater awareness of the role of board members before Previc."

The supervisory body has made clear that board members must lead the way, reinforcing the idea that the decisions emanated by the governing board is what guides the pension fund, while the supervisory board must assess such decisions and the board of directors has the responsibility to verify if these are compatible with the entities' goals. The quality of the boards shall reflect the entity's risk level as it defines how the most important issues are addressed and relevant decisions made.

The heterogeneity of the system, however, generates different responses

The implementation of Risk Based Supervision brought greater awareness of the role of board members before the supervisory agency, Previc

On the entities' side, the initial stage was marked by the improvement of risk analysis and monitoring, a consistent effort that resulted in significant changes in the funds' risk metrics

depending on the size and specific characteristics of each pension fund, says Jardim. He recognizes that smaller funds might have some problems when it comes to the effective application of the model due to board members' lack of expertise. In such context, the supervisory agency should use its powers and the experience accumulated thus far to re-evaluate certain requirements foreseen in the regulation so as to avoid imposing a burden that is too heavy for some funds to carry.

Problem correction

In the last few years, especially from 2010 on, the role of the supervisory body has undergone meaningful changes as a result of RBS implementation, explains Jordano dos Santos, head of Private Pensions at Risk Office. "Previc analyses, monitors and supervises pension funds, but it also began to exercise a new and very important role in this new context, which is to help solving problems throught the use of Conduct Adjustment Declarations (CAD)." The transformation undergone by the agency, says Santos, precisely reflects the first stage of RBS implementation.

On the entities' side, the initial stage was marked by the improvement of risk analysis and monitoring, a consistent effort that resulted in significant changes in the funds' risk metrics. The second stage should be characterized by the identification and anticipation of new forms of risk, explains Jordano Santos.

Beyond solvency

In the second stage of RBS implementation, the supervisory agency should impose higher standards in terms of board members qualification, which is essential for the success of the model. Another aspect that tends to gain relevance from now on, evaluates Santos, is the work Previc will carry out in order to analyze its risk matrix. "The supervisor needs to define metrics so as to know how it will operate in line with the concept of solvency for pension funds. In order to do so, the agency must have robust data processing mechanisms in place."

Since 2010, the specialist notes, it has become clear that the supervisor needed to gain control over pension funds' operations, an objective that was later achieved. Now the agency needs to find out how it will work with the funds in solving the problems detected, eventually going beyond the scope of solvency. The use of other monitoring mechanisms is essential, but it requires that the supervisory body have extensive knowledge about the supervised entities.

The same risk framework adopted by countries such as the Netherlands, Germany and United Kingdom could be used in Brazil. Such frameworks normally

> "Brazilian pension funds have traditionally waited for the supervisory body to tell them exactly what to do to meet regulatory requirements. The supervision still follows this path in many occasions"

consist of identifying investment, credit, interest rate, stock market and actuarial risks, among others. As Previc gains access and processes information on pension funds in line with the Risk Based Supervision approach, it will be able to assess risk levels and establish more appropriate timeframes for pension plans imbalances to be addressed.

"The concept of RBS is relatively new in Brazil and everybody is learning", says Edson Jardim. In the United Kingdom, he adds, the full implementation of the model took four to six years only for Defined Benefit plans. "The development of technology and intelligence by the supervisory body demands time, and the staff of Previc was not ready in the past; people are still learning." The adoption of RBS methodology, however, is a one-way street because it involves raising awareness and promoting a culture of anticipating risks.

Investments

The improvement of risk control, with a strong focus in custody and fiduciary management, has become a reality for many Brazilian pension funds due the new supervisory approach, highlights Raphael Santoro, a consultant at Mercer. "There is greater demand for risk control, with managers looking for more information about investment funds in order to monitor asset allocations."

In such environment, the monitoring of outsourced asset managers is no longer focused exclusively on performance, also taking into account the relation between risk and return, including the assessment of the risk levels established for each plan. According to Santoro, this type of analysis is very important in the concept of risk based management and its development might be accelerated from now on as a consequence of the high volatility in the markets.

Despite the progress achieved so far, the possibility of abandoning Tracking Error mechanisms in favor of tailored risk models is still a long way to go, the consultant says.

Another source of instability is the understanding of regulatory requirements, adds Santoro. "Brazilian pension funds have traditionally waited for the supervisory body to tell them exactly what to do to meet the standards. The supervision still follows this path in many occasions." The guidance material published by Previc as part of the RBS initiative is an important step in this direction, Santoro highlights, helping pension funds understand what is expected from them. ■

Arbitration as a strategic issue

One of the supervisor's priority goals for 2015 is to encourage the use of its Chamber of Mediation, Conciliation and Arbitration by Brazilian pension funds

The National Superintendence of Pension Funds (Previc) aims to adopt measures to promote its Arbitration Chamber and the advantages it offers in comparison with the traditional judiciary system. One of the main issues in hand is convincing pension funds' representatives that resorting to the government agency responsible for overseeing the system does not mean taking risks of cross-contamination between the two activities.

The topic of alternative methods of dispute resolution, especially arbitration, was discussed during a roundtable organized by the Center for Private Pension Legal Studies (Cejuprev), which gathers some of the country's leading specialists in legal issues. Two other relevant topics addressed during the meeting were the principles of administrative sanctioning and segregate estates.

The Arbitration Chamber was created as the result of a historical process that began with the establishment of Previc, in 2010. It came around as an alternative to litigation, outside the traditional judiciary scope.

The thesis that guided the creation of the Chamber is already recognized in other sectors of the Brazilian economy and is applied internationally as an alternative to the slowness, high costs and often lack of technical background that make traditional legal mechanisms inefficient. Within the Brazilian private pension system, however, it hasn't been often used. Only two cases were dealt with thus far. Three other requests were made in the past six months.

By becoming a strategic priority for the supervisor, the Chamber should gain more visibility as an internal instrument of the system. "We will have an intense schedule of strategic actions, including training sessions, speeches and professional qualification, post graduate courses and a series of measures to embed the culture of mediation and arbitration into the system", informs the Chief Prosecutor of Previc, Fábio Lucas de Albuquerque Lima. The idea is to demonstrate how the Chamber works and give it due importance. "More cases will come and be dealt with from now on, as pension funds develop a better understanding of the mechanism."

Confidentiality and impartiality

Among the reasons that discourage participation in the Chamber is the fear to resort to a forum placed within a State institution, which, in theory, could make it more prone to penalization. "It must be made clear that the model is based on the Arbitration Law (9307/1996) that makes impartiality and confidentiality mandatory". This eliminates any risk that the regulatory activity is mixed with the mediation and arbitration. Moreover, highlights Lima, the first article of Previc's Normative Instruction nº 10 says that the Chamber does not exercise "police power". Another obstacle lied in a fee of BRL15.000 (USD 5.000 approximately) for using the Chamber, a cost that was eliminated in June 2014, informs the Chief Prosecutor.

Another problem that needs to be dealt with by policymakers is the "judicialization culture" in Brazil. "One must take advantage of the internal arbitration system, given that, in the traditional legal system, decisions are unrelated to one another and often made

"More cases will come and be dealt with from now on, as pension funds develop a better understanding of the mechanism"

Among the advantages of the Arbitration Chamber is celerity, since the regulation requires that all disputes be settled in no more than six months

without proper technical knowledge of the matters", evaluates Lima, adding that the Brazilian Judiciary system only has specialized courts devoted to the State General Social Security regime.

The improvements brought by Normative Instruction n.10 are expected to contribute to an increase in the demand from pension funds.

Qualified Committee

The Chamber's Arbitration and Conciliation Committee, Lima points out, "will be composed of highly qualified professionals from the technical stand point." The idea is to gather civil society' and plan members' representatives, thus reducing the fear of biased decisions. The committee will be composed of a Previc-appointed member and two others, indicated by each party, all with voting and speaking rights.

Among the advantages of the Arbitration Chamber is celerity, since the regulation requires that all disputes be settled in no more than six months. But, in reality, this period could turn out to be much shorter. The average timeframe has been 35 to 40 days between the filing of the request to use the Chamber and the dispute settlement.

An additional measure to speed up the resolution process and make it more cost effective was the possibility for the Chamber to act solely in the conciliation stage. Another predicted change is the implementation of electronic systems, which should help accelerate the proceedings. As soon as the request is filed with the Chamber, it will be possible to call upon the conciliators automatically.

Negotiation

The Arbitration Chamber also allows for Negotiation in dispute resolution. Within the Brazilian private pension scope, there are numerous successful cases of Negotiation, such as the transfer of members between pension plans, changes to plan by-laws and lump sum withdrawals. In such occasions, the changes are normally implemented in a peaceful, bureaucracy-free manner, following a broad discussion among all stakeholders (pension funds, sponsors, unions and representative associations of participants and beneficiaries).

Arbitration

Brazil is the Latin American leader in arbitration and the fourth most frequent user of this procedure in the world, according to data from the International Chamber of Commerce. The mechanism was employed, for example, in defining the country's geographical borders with Argentina, Bolivia and Peru.

Law nº 9307, from 1996, establishes that the procedure should take a maximum of six months, unless another timeframe is agreed by both parties, by the arbitrator or by the rules of the Arbitration Chamber. Besides, there tends to be less formality involved when compared to the regular judicial system, especially in the execution of procedural acts. The purpose here is settling the dispute in a faster and more efficient way.

In almost every case there is immediate compliance with the arbitrator's decision. There is also a good level of confidentiality enforced by the arbitral convention and the rules of the main Arbitration Chambers.

Segregate Estates

Specialists agree that the possibility for pension funds to have Segregate Estates, such is the case with investment funds, would be a much more complete solution for the recognition of their asset independence, as opposed to the simple use of a National Registry of Legal Entities (CNPJ) number by each pension plan, says attorney Ana Paula Raeffray, who spoke at the recent Cejuprev roundtable.

"The debate is old and particularly disturbing for pension funds, which have multiple sponsors and sometimes manage their own health plans. Presently, the assets belong to the pension entity and may be seized in face of labor liabilities, for example." Raeffray explains that the segregation of assets between health and pension funds is quite clear for Previc, and within the system itself, thanks to the National Register of Benefit Plans (CNPB), but it is not fully acknowledged outside the industry, notably the Judiciary system.

Even though Complementary Law n. 109 briefly refers to this issue, there is still need for a piece of legislation that recognizes the asset independence of pension funds, similarly to what happens in other countries and in Brazil's investment and real estate industries. Once this legislation is enacted, adds Raeffray, most legal disputes would be settled in a much easier way.

Immunity to seizure is the most important part of the preliminary draft, explains Raeffray, provided that pension funds' main purpose is to pay pension benefits, in line with the Social Security regime prerogative. "Judges can no longer look at the enormous amount of assets under management in a pension fund and think it can be seized to cover any type of liability arising from legal disputes. Each case must be carefully assessed."

Administrative Sanctioning Proceedings

Among industry's expectations for 2015 is a new regulation for administrative sanctions within the pension fund sector, which would replace Decree n. 4942.

The main concern regarding the new version of the decree is to avoid occasional and undesirable setbacks related to the application of penalties over the correction of irregularities, which should always be a priority. "Expensive fines should also be avoided, provided that these are incompatible with the reality of the industry, whose advisors and directors are often not remunerated."

Despite the concerns, there is a certain degree of optimism surrounding the new decree, says Raeffray. The industry is confident that the experience accumulated by the supervisor's board of directors will help, not to mention that, during the recent Cejuprev roundtable, Previc's prosecutors claimed they would reopen the debate so that all stakeholders could help evaluate the draft decree. ■

Statistical Database

HIGHLIGHTS - DECEMBER/14

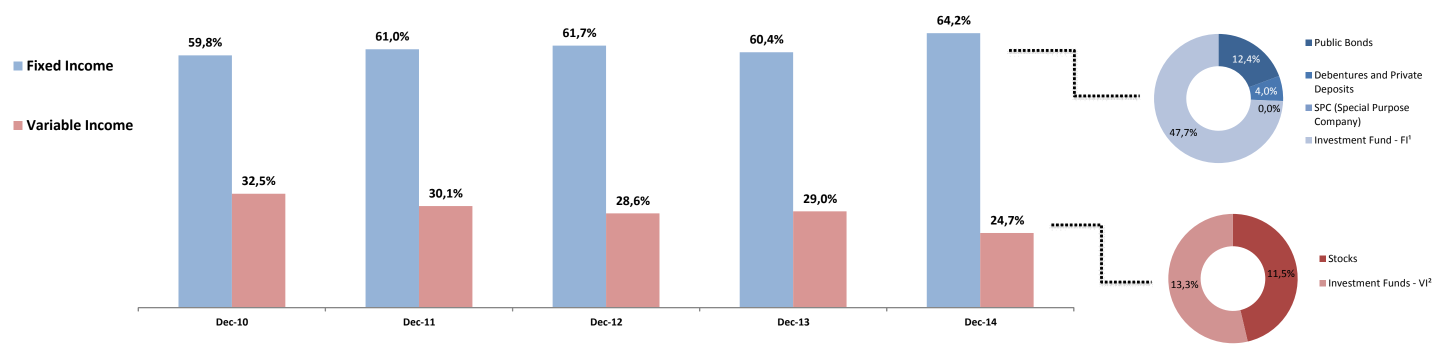
In aggregate, pension funds achieved a 7,07% return by the end of 2014, which is below the Maximum Actuarial Target Rate of 12,07% for the exercise year. The Fixed Income segment, where 64,2% of pension assets are invested, provided 11,86% returns, whereas the Variable Income segment, in which 24,7% of assets are allocated, recorded negative returns of 4,70% in the same period. Real estate, in turn, yielded a 14,52% return, the highest level among all segments in 2014.

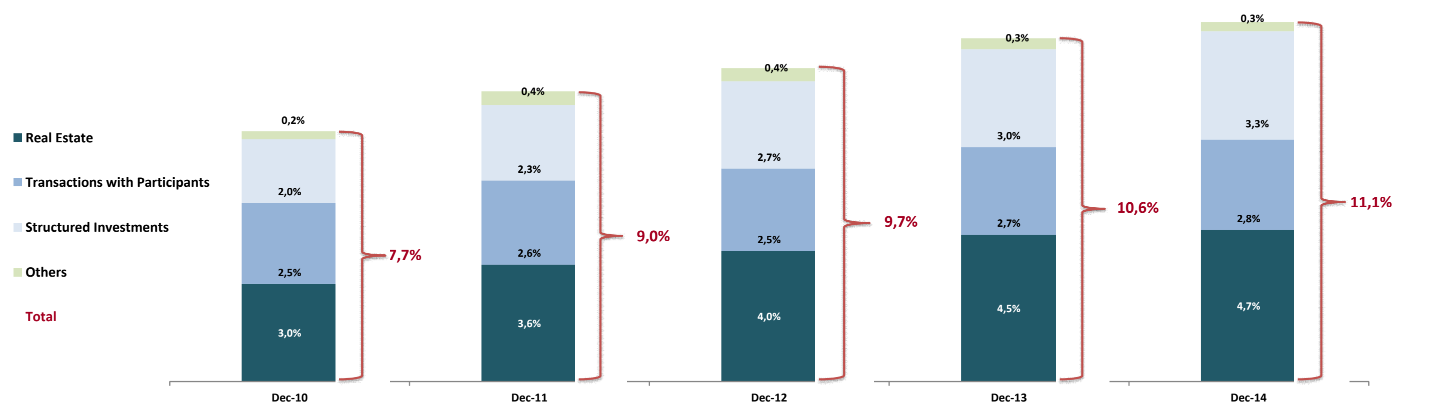
I. AGGREGATED PORTFOLIO BY TYPE OF INVESTMENT (in BRL million)

Asset classes	Dec/07	%	Dec/08	%	Dec/09	%	Dec/10	%	Dec/11	%	Dec/12	%	Dec/13	%	Dec/14	%
Fixed Income	248.302	57,0%	271.542	64,8%	291.627	59,3%	321.954	59,8%	349.957	61,0%	396.046	61,7%	386.773	60,4%	431.140	64,2%
Public bonds	64.925	14,9%	79.988	19,1%	86.749	17,6%	91.922	17,1%	90.442	15,8%	98.639	15,4%	67.446	10,5%	83.351	12,4%
Debentures and Private Deposits	9.223	2,1%	14.079	3,4%	14.862	3,0%	24.211	4,5%	27.508	4,8%	32.619	5,1%	26.672	4,2%	27.099	4,0%
SPC (Special Purpose Company)							119	0,0%	193	0,0%	213	0,0%	186	0,0%	160	0,0%
Investment Funds - FI[1]	174.154	40,0%	177.475	42,3%	190.016	38,6%	205.703	38,2%	231.814	40,4%	264.575	41,2%	292.469	45,7%	320.530	47,7%
Variable Income	160.014	36,7%	117.306	28,0%	163.753	33,3%	174.902	32,5%	172.420	30,1%	183.621	28,6%	185.755	29,0%	166.267	24,7%
Stocks	90.451	20,8%	54.381	13,0%	82.800	16,8%	88.251	16,4%	80.407	14,0%	89.404	13,9%	84.213	13,2%	77.026	11,5%
Investment Funds - VI[2]	69.563	16,0%	62.925	15,0%	80.952	16,4%	86.651	16,1%	92.013	16,0%	94.217	14,7%	101.542	15,9%	89.241	13,3%
Structured Investments	NA		NA		NA		10.634	2,0%	13.347	2,3%	17.282	2,7%	19.355	3,0%	22.467	3,3%
Emerging Companies							241	0,0%	360	0,1%	359	0,1%	346	0,1%	304	0,0%
Private Equity							9.466	1,8%	11.875	2,1%	15.016	2,3%	16.819	2,6%	19.546	2,9%
Real Estate Fund[3]							927	0,2%	1.112	0,2%	1.908	0,3%	2.191	0,3%	2.617	0,4%
Real Estate	11.510	2,6%	12.915	3,1%	14.652	3,0%	16.197	3,0%	20.685	3,6%	25.811	4,0%	28.988	4,5%	31.450	4,7%
Transactions with Participants	9.509	2,2%	10.692	2,6%	11.909	2,4%	13.412	2,5%	14.909	2,6%	16.352	2,5%	17.291	2,7%	18.705	2,8%
Loans to participants	7.426	1,7%	8.510	2,0%	9.872	2,0%	11.468	2,1%	12.995	2,3%	14.593	2,3%	15.685	2,4%	17.217	2,6%
Mortgage Loans	2.083	0,5%	2.182	0,5%	2.037	0,4%	1.944	0,4%	1.914	0,3%	1.760	0,3%	1.606	0,3%	1.488	0,2%
Other[4]	6.435	1,5%	6.774	1,6%	10.192	2,1%	1.317	0,2%	2.411	0,4%	2.613	0,4%	2.165	0,3%	1.901	0,3%
Total	435.770	100%	419.229	100%	492.134	100%	538.417	100,0%	573.729	100,0%	641.725	100,0%	640.328	100,0%	672.054	100,0%

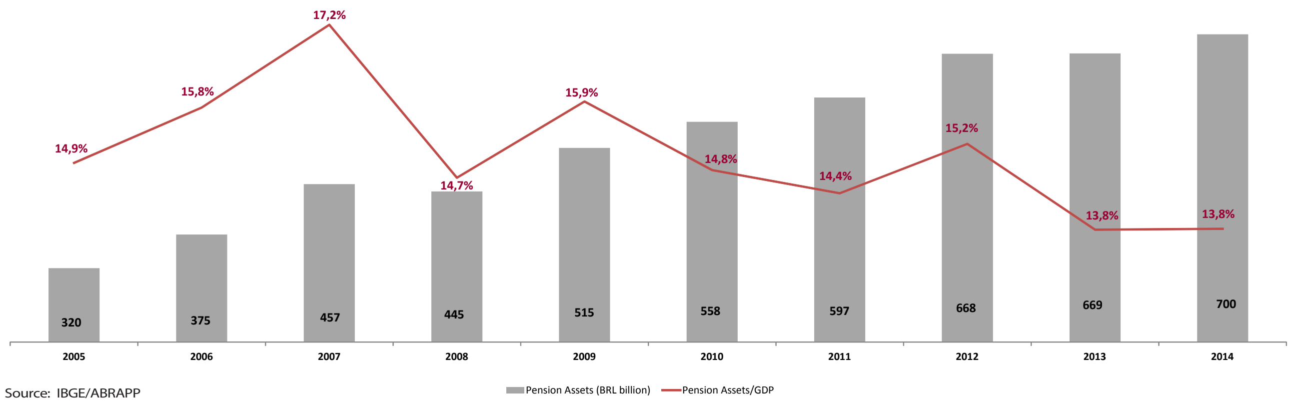
Notes: [1] Includes Short Term, Denominated, Fixed Income, Multimarket, Exchange Rate and Receivables Investment Funds ; [2] Includes Stocks and Market Indexes; [3] Until 2009 refer to Real Estate segment; [4] Includes External Debt, Stocks - Foreign Listed Companies, Other Receivables, Derivatives, Others.

II. PENSION FUND ASSET EVOLUTION BY TYPE OF INVESTMENT





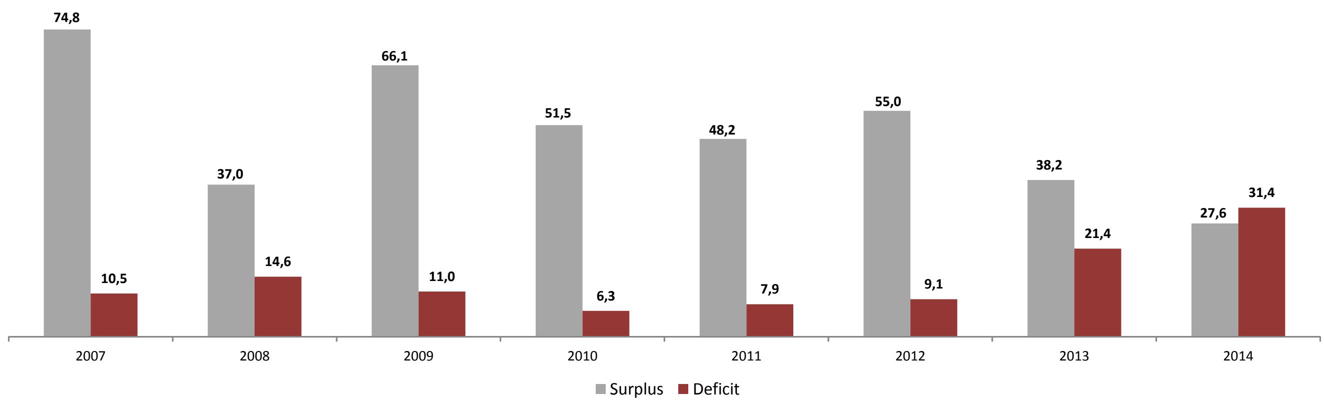
III. PENSION FUND ASSET EVOLUTION *VERSUS* GDP



Source: IBGE/ABRAPP
Includes available assets, receivables and permanent assets
GDP as of last quarter of 2013 and first three quarters of 2014
* Projected value

IV. EVOLUTION OF PRIVATE PENSION DEFICITS AND SURPLUSES

(In BRL billion)



V. REGIONAL COMPARATIVE DATA

Regional*	Number of Pension Funds**	%	Investments (BRL millions)	%	Active Members	%	Dependents	%	Beneficiaries	%
Center-North	38	12,0%	108.779	16,2%	460.164	18,5%	945.665	24,5%	113.058	16,0%
East	16	5,0%	26.147	3,9%	79.884	3,2%	132.609	3,4%	47.858	6,8%
Northeast	26	8,2%	20.139	3,0%	49.995	2,0%	133.202	3,4%	34.205	4,8%
Southeast	59	18,6%	327.268	48,7%	528.430	21,3%	1.264.954	32,7%	284.478	40,3%
Southwest	123	38,8%	146.404	21,8%	1.096.764	44,2%	1.020.775	26,4%	168.252	23,8%
South	55	17,4%	43.317	6,4%	268.335	10,8%	370.336	9,6%	57.831	8,2%
Total	317	100,0%	672.054	100,0%	2.483.572	100,0%	3.867.541	100,0%	705.682	100,0%

* Regional Composition: Center-North - states RO, AM, RR, AP, GO, DF, AC, MA, MT, MS, PA, PI and TO. East - MG. Northeast - AL, BA, CE, PB, PE, RN e SE. Southeast - RJ e ES. Southwest - SP. South - PR, SC e RS.
** Source: PREVIC Quarterly Statistics - Sept/14

VI. COMPARATIVE DATA BY TYPE OF SPONSOR

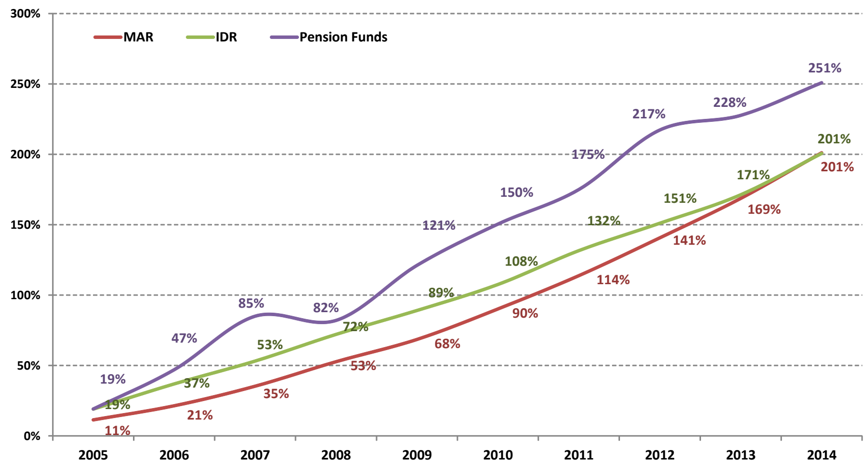
Sponsorship	Number of Pension Funds*	%	Investments (BRL millions)	%	Active Members	%	Dependents	%	Beneficiaries	%
Industry/Professional Funds**	20	6,3%	3.077	0,5%	174.389	7,0%	277.452	7,2%	1.014	0,1%
Private	211	66,6%	244.281	36,3%	1.517.099	61,1%	1.832.490	47,4%	297.716	42,2%
Public	86	27,1%	424.695	63,2%	792.084	31,9%	1.757.599	45,4%	406.952	57,7%
Total	317	100,0%	672.054	100,0%	2.483.572	100,0%	3.867.541	100,0%	705.682	100,0%

* Source: PREVIC Quarterly Statistics- Sept/14
** Investment and population data also refer to other industry/professional pension plans managed by multi-sponsored funds

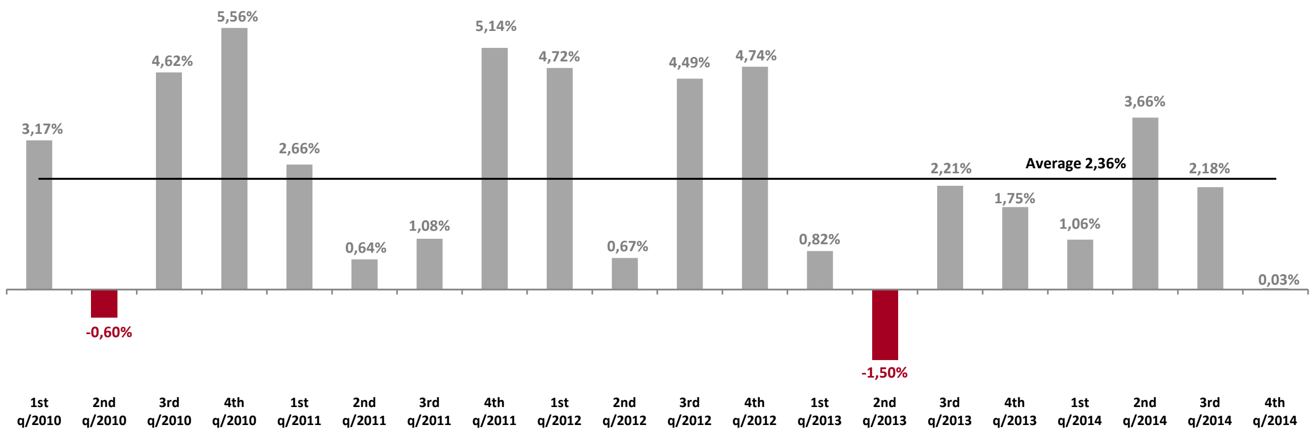
VII. RETURNS

Period	MAR*	IDR**	Pension Funds***
2005	11,35%	19,00%	19,05%
2006	8,98%	15,03%	23,45%
2007	11,47%	11,87%	25,88%
2008	12,87%	12,38%	-1,62%
2009	10,36%	9,88%	21,50%
2010	12,85%	9,77%	13,26%
2011	12,44%	11,58%	9,80%
2012	12,57%	8,40%	15,37%
2013	11,63%	8,06%	3,28%
4th quarter - 2014	2,91%	2,77%	0,03%
2014	12,07%	10,82%	7,07%
Accumulated	201,12%	200,64%	250,86%
Accumulated per year	11,65%	11,64%	13,37%

* MAR - Maximum Actuarial Rate according to CNPC Resolution n.9 from 11/29/2012.
**IDR - Interbank Deposit Rate
*** Estimated
Source: ABRAPP / BACEN / IPEADATA



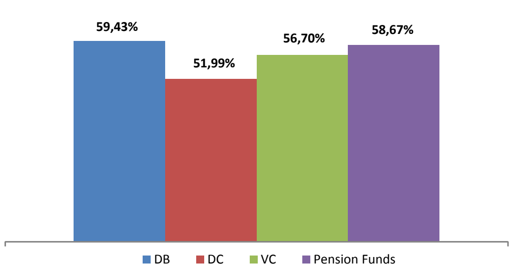
VIII. PENSION FUNDS QUARTERLY RESULTS - AGGREGATE



IX. AGGREGATE PORTFOLIO ALLOCATION BY PLAN TYPE

	Defined Benefit			Defined Contribution			Variable Contriibution		
	BRL millions	% Modality	% Segment	BRL millions	% Modality	% Segment	BRL millions	% Modality	% Segment
Fixed Income	264.105	56,1%	62,5%	57.144	89,1%	13,5%	101.457	79,1%	24,0%
Variable Income	146.078	31,0%	88,1%	5.120	8,0%	3,1%	14.527	11,3%	8,8%
Structured Investments	17.471	3,7%	78,0%	546	0,9%	2,4%	4.392	3,4%	19,6%
Real Estate	28.224	6,0%	90,0%	375	0,6%	1,2%	2.752	2,1%	8,8%
Transactions with Participants	13.235	2,8%	70,8%	758	1,2%	4,1%	4.711	3,7%	25,2%
Others	1.404	0,3%	69,8%	191	0,3%	9,5%	416	0,3%	20,7%
Total	470.517	100,0%	71,0%	64.133	100,0%	9,7%	128.255	100,0%	19,3%

X. ESTIMATED RETURN BY PLAN TYPE



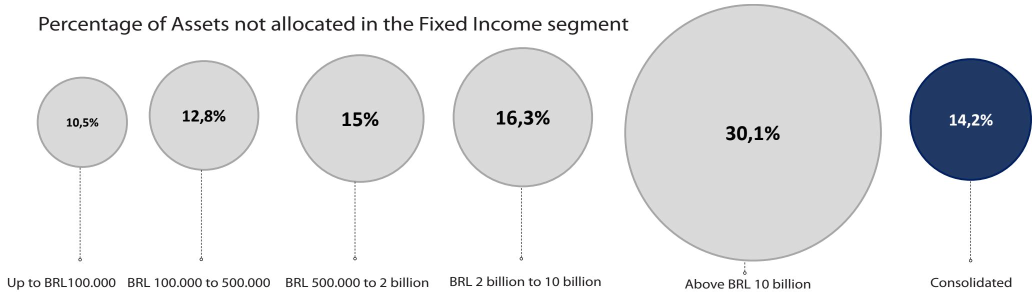
Period	Defined Benefit	Defined Contribution	Variable Contribution	Pension Funds
2010	13,79%	9,76%	11,67%	13,26%
2011	10,04%	8,62%	9,96%	9,80%
2012	15,38%	14,90%	15,56%	15,37%
2013	3,96%	0,66%	1,52%	3,28%
4th quarter - 2014	-0,49%	1,84%	0,99%	0,03%
2014	6,15%	10,22%	8,78%	7,07%
Accumulated	59,43%	51,99%	56,70%	58,67%

XI. AVERAGE ALLOCATION* BY TOTAL ASSETS UNDER MANAGEMENT

TOTAL ASSETS (in BRL)	Fixed Income	Variable Income	Structured Investments	Real Estate	Transaction with Participants	Other
Up to 100.000	89,5%	6,0%	0,1%	1,3%	0,6%	2,5%
100.000 to 500.000	87,2%	8,5%	0,8%	1,9%	1,2%	0,5%
500.000 to 2 billion	85,0%	8,4%	1,7%	2,5%	1,6%	0,7%
2 billion to 10 billion	83,7%	8,4%	2,7%	2,9%	1,8%	0,5%
Above 10 billion	69,9%	18,2%	3,6%	5,2%	3,0%	0,2%
Consolidated	85,8%	8,4%	1,3%	2,2%	1,4%	0,9%

*Arithmetic Average
Sample of 269 pension funds

Percentage of Assets not allocated in the Fixed Income segment



XII. TOP 15 LARGEST PENSION PLANS*

DEFINED BENEFIT

	Plan	Pension Fund	Investments (BRL thousand)	Active Members	Beneficiaries
1	PB1	PREVI	160.048.437	24.812	91.727
2	PLANO PETROS DO SIST. PETROBRÁS	PETROS	53.408.898	26.920	51.476
3	REG/REPLAN	FUNCEF	46.811.339	29.078	34.885
4	PBS-A	SISTEL	12.049.001	0	23.974
5	PLANO BD	REAL GRANDEZA	11.363.910	1.842	8.197
6	PLANO BD	VALIA	10.552.921	12	17.113
7	PBB	FAPES	8.473.417	3.108	2.081
8	PSAP/ELETROPAULO	FUNCESP	7.595.055	4.590	12.482
9	PLANO DE APOSENT. COMPLEMENTAR	ITAUBANCO	6.155.734	1.152	4.207
10	PBB	CENTRUS	6.017.412	0	1.473
11	PLANO A - PLANO SALD. BENEF.	FORLUZ	5.792.648	619	11.057
12	PLANO V	BANESPREV	5.228.249	4	12.803
13	PBD	POSTALIS	5.046.004	1.279	18.518
14	PLANOS I E II	FUNDAÇÃO	4.659.186	47	4.599
15	PLANO BANESPREV II	BANESPREV	4.618.584	1.889	9.174

DEFINED CONTRIBUTION

	Plan	Pension Fund	Investments (BRL thousand)	Active Members	Beneficiaries
1	PLANO ITAUBANCO CD	ITAUBANCO	7.916.763	12.736	3.055
2	PLANO DE BENEF. VISÃO TELEFÔNICA	VISÃO PREV	3.088.863	6.471	4.256
3	IBM - CD	FUNDAÇÃO IBM	2.965.622	12.894	850
4	PLANO CD GERDAU	GERDAU	2.516.384	20.570	1.415
5	PLANO DE APOS. SANTANDERPREVI	SANTANDERPREVI	2.263.541	42.066	772
6	CEEEPREV	ELETROCEEE	2.229.537	3.971	2.575
7	PLANO	ODEPREV	2.068.311	17.373	143
8	PAI-CD	FUND. ITAÚSA	1.866.751	9.351	369
9	1-B	PREVINORTE	1.726.997	3.125	601
10	PLANO DE APOSENTADORIA	UNILEVERPREV	1.634.440	14.278	597
11	EMBRAER PREV	EMBRAER PREV	1.480.360	15.103	401
12	CD ELETROBRÁS	ELETROS	1.244.193	1.272	402
13	VOTORANTIM PREV	FUNSEJEM	1.118.977	29.486	756
14	PMBP Nº 1	FAELBA	979.900	2.815	1.124
15	PRECAVER	QUANTA - PREVIDÊNCIA	960.424	34.703	39

VARIABLE CONTRIBUTION

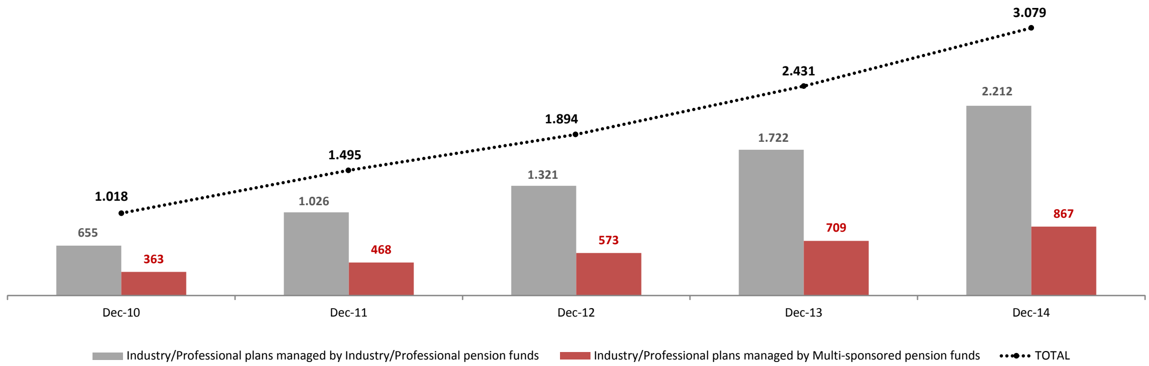
	Plan	Pension Fund	Investments (BRL thousand)	Active Members	Beneficiaries
1	PLANO PETROS 2	PETROS	8.746.142	48.294	475
2	NOVO PLANO	FUNCEF	7.843.548	87.974	3.812
3	B	FORLUZ	6.726.502	8.296	4.722
4	PB2	PREVI	5.598.799	73.370	733
5	PLANO VALE MAIS	VALIA	5.281.290	65.315	4.241
6	TELEMARPREV**	FATLÂNTICO	4.048.945	12.653	7.137
7	PPCPFL	FUNCESP	3.946.669	3.165	6.347
8	PCV I	TELOS	3.437.779	6.082	3.278
9	PLANO DE APOSENTADORIA PREVI-GM	PREVI-GM	3.188.628	25.179	2.853
10	PS-II	SERPROS	2.716.090	7.990	449
11	POSTALPREV	POSTALIS	2.678.831	118.901	2.345
12	PLANO III	FUNDAÇÃO	2.609.907	10.006	3.343
13	PACV	INFRAPREV	2.523.101	11.541	2.713
14	TCSPREV**	FATLÂNTICO	2.210.521	1.484	1.703
15	MISTO	CELOS	2.179.807	3.669	2.423

INDUSTRY/PROFESSIONAL FUNDS

	Plan	Pension Fund	Investments (BRL thousand)	Active Members	Beneficiaries
1	PRECAVER	QUANTA - PREVIDÊNCIA	960.424	34.703	39
2	OABPREV-SP	OABPREV-SP	331.775	33.526	86
3	UNIMED-BH	PETROS	295.929	5.140	5
4	ANAPARPREV	PETROS	197.059	3.068	386
5	PBPA	OABPREV-PR	145.701	11.392	43
6	SICOOB MULTI INSTITUÍDO	SICOOB PREVI	140.664	31.095	13
7	PLANO ACRICEL DE APOSENT.	HSBC INSTITUIDOR	127.553	62	0
8	RJPREV	OABPREV-RJ	118.076	4.794	132
9	PLANJUS	JUSPREV	84.402	2.358	2
10	PBPA	OABPREV-SC	84.360	6.364	48
11	PLANO II	MÚTUOPREV	60.200	na	na
12	ADV-PREV	OABPREV-GO	51.982	4.762	22
13	COOPERADO	PETROS	46.192	1.211	0
14	PBPA	OABPREV-RS	41.097	4.809	29
15	TECNOPREV	BB PREVIDÊNCIA	40.231	3.500	1

* Investments as of Dec/14. Population as of Jun/14. **Population as of Dec/13.

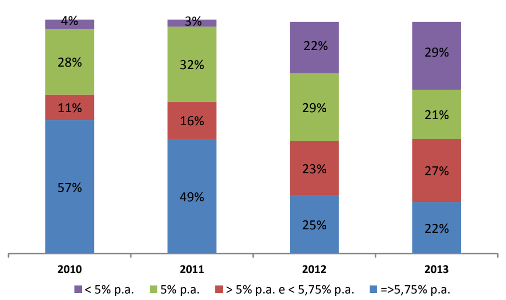
XIII. INDUSTRY/PROFESSIONAL PENSION FUNDS ASSET EVOLUTION*



Includes available assets, receivables and permanent assets
* In BRL millions

XIV. ACTUARIAL PARAMETERS

DB Plans Actuarial Rates

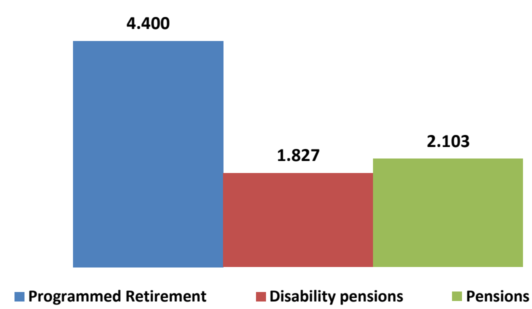


Source: PREVIC - Quarterly Results - Dec/13

Mortality Tables DB Plans	2010	2011	2012	2013
AT2000	45%	48%	61%	71%
AT83	46%	43%	30%	23%
IBGE	4%	4%	3%	3%
RP 2000	1%	2%	2%	1%
Other	5%	4%	3%	3%

XV. BENEFIT STATEMENT

Type of Benefit	Total amount[1] (in BRL thousand)	Number of benefits paid[2]	Average Monthly Benefit Values[3] (in BRL)
Programmed Retirement	12.220.457	462.912	4.400
Disability pensions	570.385	52.028	1.827
Pensions	1.844.351	146.162	2.103

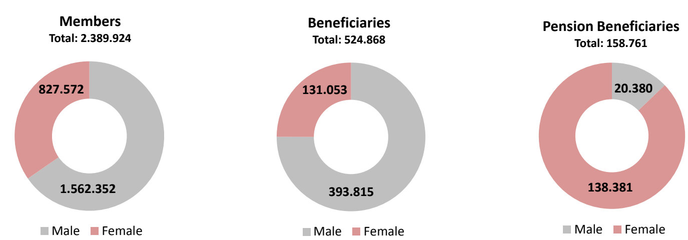


[1] Accumulated as of June 2014.
[2] According to MPS/SPC Normative Instruction n. 24, from 06/05/08.
[3] Accumulated average until June 2014 (in BRL).

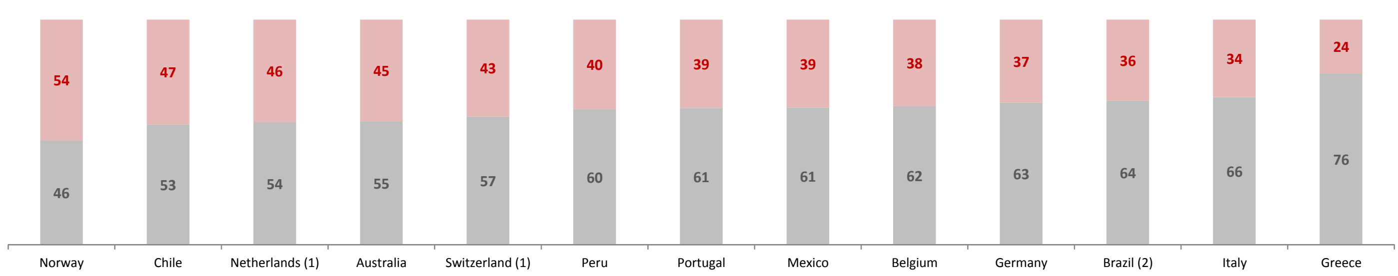
XVI. POPULATION STATISTICS*

AGE	Members		Beneficiaries		Pension Beneficiaries	
	Male	Female	Male	Female	Male	Female
Up to 24	5,7%	3,6%	0,1%	0,1%	3,8%	4,0%
25 to 34	20,4%	11,6%	0,1%	0,0%	0,8%	1,8%
35 to 54	31,4%	15,0%	11,1%	3,9%	2,2%	14,2%
55 to 64	5,7%	2,8%	30,2%	13,8%	2,2%	19,7%
65 to 74	1,4%	1,0%	23,1%	5,0%	1,7%	22,5%
75 to 84	0,6%	0,4%	8,6%	1,7%	1,3%	17,9%
Over 85	0,2%	0,2%	1,9%	0,4%	0,8%	7,0%
Total	65,4%	34,6%	75,0%	25,0%	12,8%	87,2%

*Data from 2013 / Sample of 244 pension funds and more than 3,1 million people



Active Members, Beneficiaries and Pension Beneficiaries by Genre - Enrollment (%)



1 - Data from 2011; 2 - Data from 2013 / other data from 2012
Data refer to active members, beneficiaries and pension beneficiaries
Source: Abrapp and OECD

XVII. PENSION FUND RANKING

	PENSION FUNDS	INVESTMENTS (in BRL thousand)	RANKING according to the number of members and beneficiaries	ACTIVE MEMBERS*	DEPENDENTS*	BENEFICIARIES*
1	PREVI	166.593.635	1	100.421	249.406	92.460
2	PETROS	68.172.573	2	100.695	320.764	58.752
3	FUNCEF	56.145.686	4	99.359	198.391	39.224
4	FUNCESP	22.687.904	13	15.465	52.850	30.885
5	FUNDAÇÃO ITAÚ UNIBANCO	19.711.797	16	25.283	2.862	12.894
6	VALIA	17.904.327	5	80.039	307.362	21.760
7	SISTEL	14.594.611	31	1.925	44.875	24.488
8	FORLUZ	12.545.006	36	8.652	33.817	13.313
9	REAL GRANDEZA	11.997.429	60	4.374	20.409	8.265
10	BANESPREV	11.841.023	28	2.932	22.314	23.675
11	FUNDAÇÃO ATLÂNTICO**	8.918.478	26	14.720	50.780	14.662
12	FAPES	8.632.075	114	3.108	6.718	2.081
13	POSTALIS	7.916.641	3	120.180	305.576	20.863
14	FUNDAÇÃO COPEL	7.331.251	42	10.053	6.966	7.942
15	PREVIDÊNCIA USIMINAS	7.115.931	15	21.252	59.776	20.148
16	CENTRUS	6.746.445	186	194	1.064	1.520
17	TELOS	6.051.293	59	6.087	24.671	6.761
18	HSBC FUNDO DE PENSÃO	5.677.906	7	70.432	1	4.929
19	FACHESF	5.198.015	50	4.931	14.793	9.574
20	ELETROCEEE	5.032.582	46	7.067	14.638	8.647
21	VISÃO PREV	4.841.504	38	13.824	14.650	5.597
22	ECONOMUS	4.719.131	39	12.215	19.331	6.847
23	SERPROS	4.616.517	48	10.871	25.810	3.759
24	CERES	4.340.479	41	12.403	33.524	6.127
25	CBS PREVIDÊNCIA	4.232.439	19	19.746	36.824	14.521
26	FUNDAÇÃO IBM	3.753.303	52	12.905	16.711	1.480
27	FUNBEP	3.700.872	98	1.236	7.557	5.235
28	FUNDAÇÃO BANRISUL	3.432.158	40	12.564	0	6.314
29	ELETROS	3.423.980	107	3.256	7.242	2.248
30	GERDAU PREVIDÊNCIA	3.353.886	33	21.444	28.798	2.172
31	CAPEF	3.345.418	71	6.299	18.379	4.653
32	PREVI-GM	3.191.798	na	na	na	na
33	MULTIPREV	3.061.107	17	34.611	61.022	1.338
34	BRASLIGHT	2.837.983	75	4.361	11.811	5.731
35	BRF PREVIDÊNCIA	2.775.408	22	27.351	14.144	5.554
36	FIBRA	2.733.618	153	1.463	3.919	1.552
37	INFRAPREV	2.672.230	49	11.650	19.368	2.882
38	BB PREVIDÊNCIA	2.575.121	6	76.986	79.071	1.876
39	PSS	2.556.156	95	2.716	4.572	3.962
40	PREVINORTE	2.527.390	91	5.615	7.259	1.511
41	CELOS	2.524.369	79	4.058	8.500	4.692
42	ELOS	2.361.690	130	1.517	5.074	3.003
43	FUNDAÇÃO LIBERTAS	2.349.918	34	18.726	4.166	4.416
44	UNILEVERPREV	2.276.873	45	14.578	1.178	1.313
45	SANTANDERPREVI	2.267.154	14	42.066	297	772
46	CITIPREVI	2.224.979	65	11.302	0	879
47	VWPP	2.216.669	11	47.853	58.998	1.923
48	FUNDAÇÃO REFER	2.174.969	21	4.489	42.987	28.783
49	FUNSSEST	2.144.781	82	5.891	0	2.390
50	FUNDAÇÃO ITAÚSA	2.120.082	74	9.460	15.067	902
51	GEAPPREVIDÊNCIA	2.114.492	na	na	na	na
52	ODEPREV	2.074.926	43	17.373	43.433	143
53	MULTIPENSIONS BRADESCO	2.021.021	8	58.737	88.979	1.317
54	FUSESC	1.900.723	87	2.515	9.701	5.147
55	NUCLEOS	1.887.183	125	3.614	6.155	1.075
56	SABESPREV	1.805.441	37	13.768	39.459	7.103
57	PREVIRB	1.740.285	177	460	1.847	1.599
58	FUNEPP	1.701.261	30	26.492	19.679	5
59	MÚLTIPLA	1.684.650	32	23.450	18.715	629
60	PRECE	1.671.498	64	4.514	12.459	7.676
61	METRUS	1.633.999	63	9.681	19.431	2.528
62	INSTITUTO AMBEV	1.622.622	84	5.538	1.010	2.693
63	REGIUS	1.619.473	131	3.545	6.845	934
64	ITAÚ FUNDO MULTI	1.570.393	25	29.116	6.817	822
65	BANDEPREV	1.532.626	na	na	na	na
66	FAELBA	1.491.687	120	2.822	9.875	2.105
67	EMBRAER PREV	1.482.345	47	15.103	9.735	401
68	PREVDOW	1.364.828	134	3.746	5.585	532
69	ICATUFMP	1.355.489	12	44.871	37.532	1.867
70	JOHNSON & JOHNSON	1.342.726	94	5.918	6.893	829
71	PREVIBAYER	1.270.902	96	4.899	18.122	1.577
72	ENERPREV	1.270.881	na	na	na	na
73	FUNDAÇÃO PROMON	1.269.279	160	2.005	5.434	687
74	PREVI-SIEMENS	1.248.408	67	10.241	16.118	1.259
75	FUNSEJEM	1.189.528	24	29.731	9.877	871
76	BANESES	1.152.340	138	2.182	6.138	1.973
77	FASC	1.147.718	83	7.564	507	671
78	SANPREV	1.128.122	133	3.958	5.768	497
79	PRHOSPER	1.108.486	119	3.430	2.487	1.514
80	FACEB	1.089.516	167	1.024	3.713	1.338
81	SARAH PREVIDÊNCIA	1.083.910	128	4.422	9.046	144
82	FUSAN	1.042.893	76	7.217	14.155	2.424
83	FAELCE	1.027.411	147	1.210	4.180	2.346
84	FUNDAÇÃO CORSAN	1.015.863	81	5.400	10.870	3.196
85	QUANTA - PREVIDÊNCIA	994.624	18	35.890	60.547	47
86	FIPECQ	989.264	165	2.046	4.856	345
87	PREVI-ERICSSON	985.127	116	4.241	13.796	822
88	HP PREV	983.407	na	na	na	na
89	FORD	962.869	57	12.778	19	700
90	BRASILETROS	952.674	142	1.208	3.390	2.629
91	BASF	933.556	146	3.193	10.736	446
92	PREVIG	933.054	161	2.042	2.129	606
93	SÃO BERNARDO	900.373	54	12.915	8.303	1.417
94	SÃO RAFAEL	892.102	164	1.792	3.105	676
95	ACEPREV	870.901	143	2.534	5.136	1.295
96	CIBRIUS	866.919	156	1.635	4.338	1.322
97	BASES	850.012	171	830	1.912	1.393
98	PREVUNIÃO	844.616	103	5.098	10.613	816
99	PREVI NOVARTIS	825.006	144	3.269	87	470
100	PREVISC	822.302	61	11.388	15.812	1.110
101	ECOS	800.470	220	109	961	739
102	PREVIBOSCH	787.075	69	10.397	0	893
103	PREVDATA	774.908	126	3.121	7.329	1.498
104	DESBAN	770.141	216	381	1.106	545
105	GEBSA-PREV	764.549	88	7.180	10.784	213
106	ISBRE	740.130	218	490	1.145	389
107	FUNDAMBRAS	726.690	58	12.407	227	682
108	ABRILPREV	706.742	89	6.854	8.505	370
109	CARGILLPREV	705.362	78	8.759	13.157	163
110	AGROS	699.806	104	5.077	8.150	780
111	SYNGENTA PREVI	676.416	162	2.340	188	228
112	CELPOS	673.093	117	1.639	4.689	3.374
113	FUNDIÁGUA	659.659	111	3.957	8.962	1.412
114	WEG	621.646	35	22.781	14.633	361
115	PREVHAB	615.068	210	376	606	615
116	REDEPREV	612.132	85	6.201	15.344	1.666
117	DUPREV	608.046	152	2.827	436	249
118	CYAMPREV	604.453	29	26.450	31.656	106
119	MBPREV	599.991	55	13.151	2.277	753
120	PREVSAN	588.888	139	2.495	10.399	1.629
121	PLANEJAR	586.705	135	3.896	5.843	353
122	IAJA	584.279	101	5.297	9.348	970
123	SERGUS	557.042	192	999	1.653	370
124	ELETRA	552.414	154	1.715	3.844	1.259
125	COMSHELL	552.130	169	1.806	669	457
126	COMPESAPREV	542.416	118	2.766	5.413	2.241
127	FUNDAÇÃO SÃO FRANCISCO	507.675	181	1.096	1.919	877
128	PREVEME	488.956	150	2.873	3.597	501
129	PREVICAT	488.521	na	na	na	na
130	SEBRAE PREVIDÊNCIA	477.492	90	7.070	6.867	116
131	PREVIPLAN	472.804	159	2.332	5.450	431
132	ULTRAPREV	466.777	86	7.651	51	157
133	FASCEMAR	418.819	182	1.195	4.287	749
134	FABASA	414.998	115	4.620	15.360	534
135	PREVICOKE	411.280	217	766	38	154
136	VIKINGPREV	391.195	109	5.209	84	189
137	CAPAF	390.689	132	2.364	3.936	2.092
138	MAIS VIDA PREVIDÊNCIA	389.282	195	1.196	1.793	73
139	MENDESPREV	388.246	207	616	1.312	390
140	HSBC INSTITUIDOR	386.798	51	14.452	0	0
141	INDUSPREVI	383.688	137	3.661	4.233	539
142	PREVIM-MICHELIN	382.947	124	4.607	55	88
143	UNISYS PREVI	381.324	211	942	2	42
144	DERMINAS	379.285	70	6.971	0	3.995

	PENSION FUNDS	INVESTMENTS (in BRL thousand)	RANKING according to the number of members and beneficiaries	ACTIVE MEMBERS*	DEPENDENTS*	BENEFICIARIES*
145	GASIUS	376.907	202	67	856	1.090
146	GOODYEAR	365.897	110	4.966	7.448	416
147	SUPREV	357.190	106	4.373	4.823	1.221
148	BUNGEPREV	353.683	72	10.430	15.131	270
149	FUTURA	353.630	228	176	255	365
150	FGV-PREVI	353.165	170	2.136	2.341	125
151	OABPREV-SP	342.624	20	33.526	55.666	86
152	FUNDAÇÃO ENERSUL	342.287	214	568	1.104	373
153	PORTOPREV	331.613	108	5.338	723	96
154	PREVMON	330.738	157	2.765	4.148	59
155	FAPERS	330.732	166	1.656	3.567	716
156	CAPESESP	328.535	10	49.876	32.033	668
157	SEGURIDADE	317.325	179	1.699	436	321
158	CABEC	313.534	200	173	1.678	1.039
159	FAPA	306.853	203	848	2.405	302
160	KRAFT PREV	299.118	92	6.886	10.330	230
161	CARREFOURPREV	297.340	9	50.815	1.213	138
162	ALPAPREV	293.333	27	27.712	33.948	194
163	FUNDAÇÃO BEMGEPREV	293.187	204	0	0	1.054
164	PREVINDUS	289.242	77	8.520	6.010	1.112
165	PREVISCÂNIA	286.747	141	3.813	5.953	203
166	PREVIKODAK	284.855	221	353	529	457
167	PREVCUMMINS	284.675	175	1.965	2.792	141
168	PORTUS	284.598	73	1.791	14.647	8.860
169	P&G PREV	283.587	105	5.666	8.414	162
170	FUNTERRA	278.772	240	153	844	158
171	CP PREV	274.086	na	na	na	na
172	PFIZER PREV	266.800	176	1.934	543	141
173	CIFRÃO	265.151	187	866	1.840	810
174	DANAPREV	262.391	100	6.173	9.259	103
175	FACEPI	257.747	180	1.000	2.338	993
176	RANDONPREV	255.187	66	11.540	16.364	155
177	MSD PREV	252.090	205	976	1.462	75
178	FIOPREV	249.618	136	3.942	5.043	287
179	FASERN	245.370	na	na	na	na
180	PREV PEPSICO	244.488	62	12.337	61	101
181	FAECES	238.132	183	1.062	2.267	839
182	CASFAM	236.628	127	3.696	905	916
183	VOITH PREV	236.271	172	2.051	3.065	103
184	RBS PREV	235.955	102	6.047	3.594	114
185	PREVIP	230.572	155	2.824	5.400	140
186	EATONPREV	221.940	113	5.063	6.968	165
187	LILLY PREV	218.794	209	811	1.213	189
188	PREVIDEXXONMOBIL	203.051	189	1.456	2.222	75
189	SOMUPP	200.515	246	0	0	145
190	POUPREV	193.618	197	1.222	1.621	36
191	CAPOF	192.466	226	168	642	414
192	SUPRE	189.306	219	491	1.468	383
193	CASANPREV	188.877	185	1.601	4.448	203
194	AVONPREV	179.920	97	6.336	633	136
195	SP-PREVCOM	177.635	53	14.367	7.215	0
196	SICOOB PREVI	176.228	23	31.884	24.392	13
197	FUCAP	172.523	184	1.568	1.550	252
198	CARBOPREV	171.272	208	832	1.158	174
199	KPMG PREV	170.413	129	4.519	6.756	47
200	PREVICEL	168.981	215	817	1.102	119
201	TEXPREV	166.551	222	598	881	147
202	RAIZPREV	155.109	44	17.339	12.521	2
203	MAUÁ PREV	154.536	158	2.666	3.999	106
204	MERCAPREV	150.946	191	1.376	2.058	72
205	OABPREV-PR	146.654	68	11.392	18.707	43
206	ROCHEPREV	145.127	201	1.148	1.465	56
207	PREVIHONDA	139.603	56	13.693	20.540	58

	PENSION FUNDS	INVESTMENTS (in BRL thousand)	RANKING according to the number of members and beneficiaries	ACTIVE MEMBERS*	DEPENDENTS*	BENEFICIARIES*
208	UTCPREV	134.628	93	6.808	6.017	32
209	FAÇOPAC	128.737	174	2.019	2.362	116
210	PREVEME II	126.186	140	4.009	7.026	34
211	ALPHA	121.748	199	1.045	2.219	189
212	OABPREV-RJ	119.089	121	4.794	7.059	132
213	PREVIMA	117.692	206	1.008	840	25
214	FUNPRESP-EXE	116.239	na	na	na	na
215	BOTICÁRIO PREV	114.870	112	5.255	7.337	25
216	SIAS	113.792	80	7.804	7.736	916
217	CAGEPREV	110.963	198	1.220	1.647	28
218	FUNDAÇÃO GAROTO	108.896	149	3.228	8.321	195
219	PREVBEP	106.608	242	54	187	140
220	FAPECE	100.542	232	290	0	155
221	VISTEON	98.928	na	na	na	na
222	INSTITUTO GEIPREV	97.838	235	83	296	311
223	FUMPRESC	96.956	212	643	1.631	333
224	FUNASA	95.932	196	527	1.442	740
225	PREVISTHIL	95.040	na	na	na	na
226	TOYOTA PREVI	94.272	na	na	na	na
227	CAFBEP	90.394	194	947	893	357
228	RECKITTPREV	89.406	224	663	987	56
229	OABPREV-SC	85.619	99	6.364	9.931	48
230	JUSPREV	84.508	168	2.358	3.480	2
231	BANORTE	81.588	na	na	na	na
232	PREVYASUDA	76.220	239	237	284	85
233	MERCERPREV	63.444	223	713	506	9
234	MÚTUOPREV	61.409	na	na	na	na
235	CARFEPE	58.585	188	1.595	2.187	38
236	PREVCHEVRON	54.878	245	139	209	42
237	OABPREV-GO	53.195	123	4.762	10.057	22
238	PREVILEAF	49.945	225	582	1.247	38
239	FUNDO PARANÁ	49.314	151	3.108	3.236	5
240	ALBAPREV	48.725	243	159	335	29
241	DATUSPREV	44.556	na	na	na	na
242	PREVUNISUL	44.545	193	1.234	1.733	101
243	MM PREV	44.088	163	2.468	26	29
244	COHAPREV	42.502	241	264	0	15
245	OABPREV-RS	41.382	122	4.809	7.243	29
246	FUNCASAL	38.325	190	882	1.817	605
247	MONGERAL	37.042	178	2.023	3.249	12
248	BANCO SUMITOMO	33.971	na	na	na	na
249	SILIUS	32.754	238	28	300	324
250	FUNPRESP-JUD	28.740	233	444	444	0
251	FUNDAÇÃO TECHNOS	28.102	237	361	294	2
252	UNIPREVI	25.411	248	5	34	23
253	OABPREV-NORDESTE	24.891	231	309	520	153
254	FUTURA II	24.687	229	535	364	0
255	PREVES	22.548	230	483	0	0
256	ALEPEPREV	21.803	244	176	214	10
257	FUCAE	17.600	na	na	na	na
258	CAVA	16.402	173	1.552	2.377	599
259	CNBPREV	15.948	na	na	na	na
260	ANABBPREV	10.693	213	948	1.836	2
261	RJPREV	8.876	236	376	0	0
262	FUNDAÇÃO FECOMÉRCIO	4.845	234	410	734	0
263	MAPPIN	4.197	148	3.463	2.895	35
264	CIASPREV	1.814	145	3.676	0	0
265	ORIUS	1.636	247	0	25	46
266	SUL PREVIDÊNCIA	1.614	na	na	na	na
267	FUNPADEPAR	1.515	na	na	na	na
268	ACIPREV	420	227	559	939	0
269	EDS PREV	360	249	8	0	0

TOTAL INFORMED	
Investments (BRL thousand)	670.749.514
Active Members*	2.310.615
Dependents*	3.599.454
Beneficiaries*	692.068

TOTAL ESTIMATED	
Investments (BRL thousand)	672.054.383
Active Members*	2.483.572
Dependents*	3.867.541
Beneficiaries*	705.682

*June/14
** December/13 (Population Data)

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