

Presentation for TPR–UK

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Mini/CV – Ricardo Pena

Economist and Demographer with a postgraduate degree in finance and actuarial science from Fipecafi/FEA/USP (2000) and a PhD from Cedeplar/FACE/UFMG (2005). He has been a Tax Auditor at the Federal Revenue of Brazil at the Ministry of Finance since 2003. He was director of investments (2004 to 2007), Deputy Secretary and Secretary of Complementary Pensions (2008-2009) at the Ministry of Social Security and the 1st Director-Superintendent of PREVIC (2010 -2011), a public body responsible for supervising pension funds in Brazil. He was also the 1st CEO of Funpresp-Exe from December/2012 to January/2022.

He was a professor of undergraduate economics and postgraduate studies in supplementary pensions at FGV, ICAT-DF, CESUSC, GranFaculdade and FIPECAFI. He is the author of the book “The demography of pension funds”, MPS collection, from 2007. He was part, in November/December-2022, of the Government Transition GT in the area of pensions. He returned, as of February 17, 2023, as **Head Director of PREVIC-Brazilian Pension Funds Authority**.

1. Key Figures of the Brazilian Pension funds

What is the size of the Brazilian workplace pensions industry?

- Total Assets: R\$ 1.28 trillion (equivalent to USD 256 billion), representing 12% of Brazil's GDP
- 8 million people covered: 3 million active members; 1 million pensioners; and 4 million beneficiaries
- 278 pension funds supervised, including public sector pension funds
- 1,201 benefit plans
- Benefit payments amounting to R\$ 100 billion (equivalent to USD 20 billion) in 2023

2. Legal aspects

- I. **Constitutional Foundation:** Art. 202 of the Federal Constitution (voluntary private pension)
- II. **Main Laws:** Complementary Laws n°s 108 (public sponsors) and 109 (governance; supervision), of 2001; Law 12.154 (creation PREVIC), of 2009; Law 11.053 (tax), of 2004; Law 12.618/2012 (civil service federal) and Law 13.183/2015 (auto-enrolment; Decree 4.942 (sanctionary regime) , of 2003
- III. **Regulatory Body:** National Council for Supplementary Pensions (CNPC/MPS, last Resolution n° 60/2024 (automatic enrolment for news entrance);
- IV. **Regulatory Body for Investment Guidelines:** National Monetary Council
- V. **Supervisory and Regulatory Body:** Previc (Superintendence of Private Pension)
- VI. **Sanctionary Body:** Chamber Resources Supplementary Pensions (CRPC/MPS)

3. Resolution CMN nº 4.994, 2022

Main current features:

- Regulation that determines the general investment rules of pension funds (quantitative limited prudential)
- 6 asset classes: fixed income; equities; alternatives; real estate; operations with participants; Investment abroad
- The invested products must follow the rules of the Central Bank of Brazil and the Securities Commission

3. Resolution CMN nº 4.994, 2022 (cont.)

Main current features:

- The regulation focuses on the decision-making process of investments, seeking to ensure adequate governance and compliance with internal and external rules
- Possibility of direct investments in assets or via investment funds (except the institutors, who can only do outsourced management);
- Limitation for the use of derivative instruments;
- The regulation is guided by the objective of providing access to the largest number of financial products, with restrictions according to the level of risk understood as suitable for pension investments.

3. Resolution CMN nº 4.994, 2022 (cont.)

Main investment limits:

- Fixed income: up to 100%
- Equities: up to 70% (for governance stock market)
- Alternatives: up to 20%
- Real estate: up to 20%
- Operations with participants: up to 15%
- Investment abroad: up to 10%

3. Resolution CMN nº 4.994, 2022 (cont.)

Main points of change in 2024:

- Return of the possibility of direct investment in real estate (currently restricted to investments via real estate investment fund);
- Prohibition on the acquisition of crypto assets;
- Expansion of the ESG investment agenda: carbon credits, sustainability report, and possibility of investing in agribusiness investment funds;

3. Resolution CMN nº 4.994, 2022 (cont.)

Main points of change in 2024:

- Clearer rules to allow the assumption of investments in private equity and venture capital;
- Possibility of investment in infrastructure debentures;
- Improvement of responsibility rules (business judgment) for compliance with the resolution to prevent excesses of the sanctioning process.

4. Previc's legal powers

- What is the nature of PREVIC's legal powers?

Previc's Main Powers are Licensing, Regulation, and Supervision.

Licensing : Previc is responsible for approving the by laws of pension funds (similar Trustees/UK) and the regulations of benefit plans they operate. It also licenses individuals in relation to the legal and regulatory requirements necessary for occupying specific positions within pension funds.

Regulation: Regulation is conducted through the issuance of Previc's own norms, aimed at regulating the superior norms established by the National Supplementary Pension Council. Previc also proposes new norms to this council and participates actively in its deliberations. Additionally, Previc monitors and supports legislative activities in Congress, which is responsible for enacting laws governing the Brazilian pension system.

4. Previc's legal powers (cont.)

- What is the nature of PREVIC's powers?

Supervision – RBS/Risk Based Supervision: Supervision involves monitoring the investments, actuarial aspects, and accounting of benefit plans, as well as conducting on-site inspections of pension fund activities when necessary.

If indications of irregularities are found, a sanctioning process is initiated to investigate the matter, which can result in fines, warnings, or disqualification of those responsible.

5. Normative power of previc

- Can PREVIC write laws/regulations?
 - I. The structure of regulations applicable to pension funds follows the following hierarchical structure: Laws, Resolutions of the National Supplementary Pension Council, and Previc Resolutions.
 - II. Laws are enacted by Parliament and contain the most general guidelines, offering greater normative rigidity due to the complexity involved in making amendments.
 - III. The main regulator of the system is the National Supplementary Pension Council, which includes a representative from Previc with the authority to propose norms, alongside other government members and representatives from organized civil society, including specific representation of participants, pension funds, and sponsors.



5. Normative power of previc (cont.)

- **Can PREVIC write laws/regulations?**

The National Supplementary Pension Council does not need a specific law to delegate powers to regulate each topic, as there is already a delegation of general constitutional competence to regulate any matter involving workplace pensions (with the exception of investment guidelines, which are the responsibility of the Council National Monetary).

Previc Resolutions primarily serve to operationalize the guidelines and norms set by the National Supplementary Pension Council.

6. Data Collection

- How Does PREVIC Collect Data from Pension Funds and the wider industry?

Most information is collected directly from the pension funds through the systematic and periodic submission of data to Previc.

The primary information regularly received includes investment details, actuarial aspects, and accounting data.

Regarding investment data, Previc also receives information from custodians, the Securities and Exchange Commission of Brazil (CVM), which supervises investment funds and assets in general, the Central Bank, and the Stock Exchange.

7. Type of benefit plan

What type of benefit plan is most used by Brazilian pension funds?

Defined benefit plans are those that manage the largest volume of resources. But most plans are defined contribution.

Type of Plan	Number of Plans	%	Total Assets (BRL billion)	Total Assets (USD billion)	%
DB/Defined Benefit	303	25	740,54	148,11	58
DC/ Defined Contribution	552	46	184,02	36,8	14
CV/ Variable Contribution (hybrid)	346	29	356,18	71,24	28
total	1201	100	1280,74	256,15	100



8. Biggest Pension Funds

What are the main providers?

Rank	Pension Fund	Net Assets (R\$ x1000)	Net Assets (USD x1000)	active members	beneficiaries	pensioners
1	PREVI-BB	272.388.035,00	54.478.342,65	81.694,00	228.034,00	108.724,00
2	PETROS	118.306.434,00	23.661.606,31	52.581,00	514.561,00	79.143,00
3	FUNCEF	105.908.316,00	21.181.949,23	86.109,00	205.215,00	53.428,00
4	VIVEST	37.577.559,00	7.515.613,29	22.147,00	42.128,00	33.728,00
5	FUND. ITAÚ UNIBANCO	32.796.633,00	6.559.415,17	25.242,00	7.787,00	26.068,00
6	VALIA	30.252.260,00	6.050.533,70	110.792,00	343.095,00	26.335,00
7	BANESPREV	28.021.058,00	5.604.287,28	3.719,00	21.618,00	24.867,00
8	SISTEL	22.489.346,00	4.497.929,94	1.773,00	23.282,00	21.509,00
9	FORLUZ	20.374.808,00	4.075.016,63	6.344,00	25.461,00	16.715,00
10	REAL GRANDEZA	18.447.941,00	3.689.638,02	2.876,00	15.753,00	9.502,00

FONTE: https://www.abrapp.org.br/wp-content/uploads/2024/04/Consolidado-Estatistico_12.2023.pdf

9. Asset Allocation

What is a typical asset allocation?

Category	BRL	USD	%
Fixed Income	927.748.973.786,00	185.552.300.358	77,5%
Equities	144.222.176.886,00	28.844.824.883	12,0%
Alternatives	22.333.979.267,00	4.466.856.171	1,9%
Real Estate	37.612.350.784,00	7.522.571.738	3,1%
Operations with members	24.072.143.918,00	4.814.493.796	2,0%
Foreign	20.519.201.298,00	4.103.895.676	1,7%
Cash, Accounts Payable/Receivable, Adjustments and Others	20.574.267.120,00	4.114.908.990	1,7%
TOTAL	1.197.083.093.060,00	239.419.851.612	100,0%

10. Main Challenges

- Governance: Establishment and implementation of strategy; Improvement of organizational processes; Internal and external institutional communication; Budgetary and patrimonial management; Accountability.
- People Management: Workforce management; Promotion of quality of life; Performance evaluation; Employee training; Recruitment and selection of employees; Remuneration and functional control.
- Information Technology: Operational continuity management; Development of systems and infrastructure; Contract management in the IT area; Digitization of services provided to the community.
- Annual Budget

10. Main Challenges (cont.)

- Promotion: Flexibility and modernization of the system; Promotion of the attractiveness and competitiveness of the regime; Extension of complementary protection to all eligible individuals.
- Regulation: Monitoring the evolution of pension practices; Development, evaluation, and proposal of normative instruments.
- Supervision: Authorization of creation, operation, changes, and transformations of entities and benefit plans; Qualification of leaders; Supervision and monitoring of the system, entities, and benefit plans; Application of sanctions and special regimes.

11. Previc's main annual reports

- [Management report 2024](#)



- [Workplace pension report 2023](#)





Thank you!



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