

<b>Comments Template on EIOPA-CP-11/006</b> <b>Response to Call for Advice on the review of Directive 2003/41/EC: second consultation</b>		<b>Deadline</b> <b>02.01.2012</b> <b>18:00 CET</b>
Company name:	EFI (European Federation of Investors)	
Disclosure of comments:	EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential.  <i>Please indicate if your comments on this CP should be treated as confidential, by deleting the word <b>Public</b> in the column to the left and by inserting the word <b>Confidential</b>.</i>	Public
<p>The question numbers below correspond to Consultation Paper No. 06 (EIOPA-CP-11/006).</p> <p><b>Please follow the instructions for filling in the template:</b></p> <ul style="list-style-type: none"> <li>⇒ <u>Do not change the numbering</u> in column "Question".</li> <li>⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a question, keep the row <u>empty</u>.</li> <li>⇒ There are 96 questions for respondents. Please restrict responses in the row "General comment" only to material which is not covered by these 96 questions.</li> <li>⇒ Our IT tool does not allow processing of comments which do not refer to the specific question numbers below.               <ul style="list-style-type: none"> <li>○ If your comment refers to multiple questions, please insert your comment at the first relevant question and mention in your comment to which other questions this also applies.</li> <li>○ If your comment refers to parts of a question, please indicate this in the comment itself.</li> </ul> </li> </ul> <p><b>Please send the completed template to <a href="mailto:CP-006@eiopa.europa.eu">CP-006@eiopa.europa.eu</a>, in MSWord Format, (our IT tool does not allow processing of any other formats).</b></p>		
<b>Question</b>	<b>Comment</b>	
General comment	The European Federation of Investors (EuroInvestors) welcomes the opportunity to comment on the <b>Response to Call for Advice on the review of Directive 2003/41/EC</b> and thanks EIOPA for launching this consultation.	

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The European Federation of Investors and other financial services users (“EuroInvestors”) was created in 2009, following the financial crisis which demonstrated the limits of the almost exclusive dialogue between regulators and the financial industry, largely ignoring the user side. EuroInvestors is the dedicated European representative of the interests of the financial services users in order to promote training, research and information on investments, savings, life insurance, pensions, borrowings and Personal Finances of individuals in Europe, by grouping the organisations pursuing the same objectives at a national or international level.

Already about 50 national organizations of investors and other financial services users have joined us, which – in turn – count more than four million European citizens as members.

EuroInvestors has experts participating to the EC Financial Services User Group, to the Securities & Markets, the Banking and the Pensions Stakeholder Groups of the European Supervisory Authorities. Its national members also participate to national financial regulators and supervisors bodies when allowed.

For further details please see our website: [www.euroinvestors.org](http://www.euroinvestors.org).

Before answering to the consultation questions, EuroInvestors would like to point out the following:

due to the short period of time left to the consultation and the very large number of technical questions that are raised it was very difficult for a consumer organization like FAIDER with a very limited amount of resources to respond in detail. Therefore we focused on general principles that we consider should apply in the drafting of the legislation relating to IORP. We will be happy to make more precise proposals on different aspects which directly concern consumers later in the process.

We fully support the following statement from the GCAE :

“We agree with EIOPA that information about pensions should be correct, understandable and not misleading. Communications to the members should also explain in simple and clear terms the principal risks implicit in the financial arrangements, how they are managed

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	<p>and the potential consequences of failure. Better communication about the purchasing power of the benefits is essential and should, we think, be an important factor in disclosure.</p> <p>Transparency should lead to better communication with all stakeholders, not only with members, but also with employers, supervisors, etc. More discussion with stakeholders is not a goal in itself, but should be encouraged in the interests of better security or better understanding of the complexities and risks in pension schemes. Such discussions could lead to better alignment of the expectations of various parties about the outcomes and the risks that are involved.</p> <p>We agree with EIOPA’s view that a new KIID-like document should be introduced and should be extended with information on contribution arrangements, practical information and cross-references to other documents. We also think that harmonisation could be of added value to the member, but is at an EU-level very difficult because of the differences between the different countries.</p> <p>We do think that the HBS should be made public and communicated to stakeholders and especially plan members (present employees , retired and reversion beneficiaries) so that the employees get a better understanding of the exact nature of the promise being made to them and assess better the financial aspects of the plan sponsor covenant. Now that the trend in occupational pensions is moving from guaranteeing a formal level of pension to a soft promise where the level of pension delivered will be function of the financial means of both the pension fund and the plan sponsor company governance implies that more honest and transparent information must be delivered to plan members.”</p>	
1.	This is a political issue and we don’t have expertise on that. The important point is that any solution should ensure that all beneficiaries should be treated the same way, in terms of information, security	

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	of pension benefits etc..	
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10.	Yes we agree	
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12.	The HBS proposal seems to be a very interesting concept able to solve some problems relating to the role of sponsors in the equilibrium of a plan. But it should be handled with care because we should not simply take into account the commitment of the sponsor. This commitment should be evaluated very carefully in order to avoid any surestimation of the guarantee and it will require that the supervisor be able to do this by auditing directly the accounts of the sponsor. This should not offer a possibility to diminish the level of security required which has to be the sale whatever the type of IORP.	
13.	We have to be very prudent when introducing a mrket consistent appraoch. Does it make sens to evaluate assets on their market value when we see that this market value can fluctuate from one hour to the next of somethong like 5 or 10% ? Pensions liabilities doens't have the same level of exigibility than other liabilities in terms of duration. Therefore it is necessary to work on a valuation system that will recognize this degree of long term detention.	
14.	In the same way liabilities should be evaluated, not on a makket consistent basis but on a basis consistent with the evaluation of the assets.	
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21.	The more prudent approach will be to use risk free interest rate but we have to determine what it is. It is certainly not the short term government rate. See the diversity of those between Greece and Germany although in the same currency ! The most prudent approach could then be to take the Lowest.	
22.		
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25.	Yes we agree	
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33.	See answer to question 12	
34.		
35.		
36.	It is very important to introduce a uniform security level in Europe and we don't see why EIOPA should not be able to propose it.	
37.	The horizon to which the confidence level should apply has to be set in order to permit the IORP and its sponsors to take the necessary actions to ensure the payments of the benefits. It may be one year but it could be shorter or longer. This has to be studied in depth and depend certainly of the duration of the liabilities.	

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38.	S II rules would have to be adapted to the specificity of IORPS.	
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41.	There is a risk of moral hazard. This should be studied more carefully	
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47.	The prudent person principle could be sufficient if solvency rules are strong enough. Nevertheless supervisors could have the right to ban certain types of investments like "subprimes" or restrict the use of some others like derivatives.	
48.		
49.	There is no reasons to make any difference between DC and DB . What is good for the ones will be good for the others and reciprocally.	
50.		
51.	Borrowing should not be allowed except in special circumstances with the prior approval of the supervisory authority	
52.	We agree with the principle of the protection of members and beneficiaries being the main objective of supervision and that it should be included in the directive. Also we will support the necessity for the supervisors to consider the impact of their decisions on the stability of the financial systems and of the economies in case of extreme circumstances. We will be in favour of maintaining an equity and a duration dampener as in the SII directive.	
53.		
54.		
55.	Yes we agree.	
56.	Yes we agree.	

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57.	Yes we agree.	
58.	This is more a political issue ?	
59.	Yes we agree.	
60.	Yes we agree.	
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63.	Yes we agree. We also consider that it is very important that beneficiaries participate to the governance structure of the IOPR and be majority. Never forget that finally it is their money that is invested and that they will collect through the benefits !	
64.		
65.	Yes we agree.	
66.	Yes we agree.	
67.	The power to take the necessary actions to ensure that the fit and proper requirements are fulfilled.	
68.	We support this proposal	
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78.	We fully support the GCAE position (see their response)	
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91.	We are very happy to see that the commission and EIOPA seems to attached so much importance to information. Yes it will also be necessary for DB and not only for DC.	
92.	<p>We are very happy to see that the commission and EIOPA seems to attached so much importance to information. Information has ton be clear, fair, understandable and not misleading. Therefore the introduction of a KIID or KID document is of utmost importance. This document has to contain information that is beyond investment in order to inform correctly and completely the future beneficiary and to facilitate the comparison with other IORPS. Risks should be clearly and precisely and exhaustivelt described including risks like inflation because of the very long term nature of the promise and of its function as a replacement income.</p> <p>A Key Information Document should be mandatory for all IORPS and would detail more precisely the features of the regime:</p> <ul style="list-style-type: none"> <li>- its guarantees,</li> <li>- the consolidated and detailed costs at inception and during the life of the product,</li> <li>- the possible outcomes through different positive and negative scenarios,</li> <li>- the minimum underlying units performance required to offset all charges on a real (net of inflation) basis,</li> </ul>	



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	<ul style="list-style-type: none"> <li>- the past performance of the underlying assets</li> <li>- and more globally all necessary information to understand completely how the product works, what are the risks assumed, what are the reward to be expected from such an investment.</li> </ul>	
93.	We have to look more deeply into the communication about risk and reward. Risks have to be identified (never forget the inflation, for example). We would suggest to have a specific consultation on this subject because it is very difficult to determine in a few words how to choose a horizon, a risk/reward profile etc...	
94.		
95.		
96.		