

## Summary of Conclusions

### Occupational Pensions Stakeholder Group (OPSG)

#### Third meeting

---

Date: 21 February 2019

Time: 10:00 – 16:00

Location: EIOPA premises

Contact: Stakeholder.Groups@eiopa.europa.eu

---

#### *List of participants:*

*OPSG: Azzopardi, Moses; Briganti, Francesco; Delbecque, Bernard (Chairperson); Duarte, Valdemar; Fekeža Klemen, Senka; Gabellieri, Bruno; Gómez, José Carlos; Güllich, Christian; Jones, Olav; Kupsys, Kęstutis; Lemaire, Christian; Lewis, Sue; Luciano, Elisa; Maher, John; Micilotta, Flavia; Moriarty, Jerry; Nellshen, Stefan; Neyt, Philip; O'Quigley, John; Oroviceanu, Catalin; Reichert, Sibylle; Reiner, Michael; Reinhammar, Torun; Seidel, Philippe; Valkenburg, Falco (Vice Chairperson); van der Lecq, Fieke; van Meerten; Hans, Wancke Widemar, Ann-Marie.*

*Not present: Alviniussen, Alf; Maczynska, Aleksandra (Vice Chairperson)*

*EIOPA: Fausto Parente (EIOPA's Executive Director), Manuela Zweimueller (Head of Policy Department), Marco Traversa (Consumer Protection Department), Pedro Pires (Consumer Protection Department), Sandra Hack (Risk and Financial Stability Department), Giulia Conforti (Policy Department), Barthold Kuipers (Policy Department), Carine Pilot-Osborn (Policy Department), Florian Ouillades (Corporate Affairs Department).*

*EIOPA National Competent Authorities (NCAs): Åsa Larson (SE), Ante Zigman (HR)*

*European Commission (DG FISMA): Nico Spiegel (video call)*

---

### **1. Approval of the agenda**

#### **Conclusion/Action:**

- The agenda was approved.

### **2. Update by the OPSG Chair**

The OPSG Chair welcomed the participants of the meeting and asked Torun Reinhammar to introduce herself as a new Member in the group, and Flavia Micilotta to update the group on her new job.

#### **Conclusion/Action:**

- n/a

### **3. Update by EIOPA**

EIOPA's Executive Director updated Members on the following topics:

### Pan-European Pension Product (PEPP)

EIOPA welcomes the co-legislators' agreement on PEPP, which is a milestone in providing sustainable pensions and addressing the ever growing pensions gap in Europe. The timeline set for implementation is challenging for the Authority but also for its advisory bodies. The scope of activities is broad. It includes power to intervene in the authorisation process but also work on risk-mitigation techniques, Cooperation between NCAs and EIOPA and information exchange, central public register and registration procedure. EIOPA should set up working structures for a dedicated panel with stakeholders in accordance with Article 73(3) on the PEPP. However, this project will only start in the implementation phase, as the objectives of the panel are exclusively to monitor the effective implementation of the Regulation and the degree to which the PEPP Regulation delivers on its objectives. The involvement from the OPSG cannot be confirmed as long as formal adoption in the European Parliament is still pending.

### Roundtable on Sustainable Finance

The EIOPA Roundtable on Sustainable Finance was held on 23 January 2019. It addressed the draft Technical advice on the integration of sustainability risks and factors in the delegated acts under Solvency II and IDD and the preparation of the future Opinion on sustainability within Solvency II Directive. The Roundtable participants agreed on the importance of addressing the sustainability on both, the asset and liability side. A summary of the discussion will be made available on EIOPA's website.

### EIOPA's Single Programming Document

EIOPA published (see press release in this [link](#)) its updated work programme, highlighting and specifying the activities and tasks of the Authority for the coming year, within the framework of a multiannual work programme 2019 – 2021.

EIOPA has four strategic priorities:

- Driving forward Conduct of business regulation and supervision
- Leading convergence towards high quality prudential supervision throughout the EU
- Strengthening the stability of the occupational pensions and insurance sectors
- Delivering the mandate effective and efficiently

Cross cutting themes are INSUR-Tech/Digitalisation and sustainable finance.

### BREXIT preparations

EIOPA published on 19 February (see press release in this [link](#)) a Recommendation for the insurance sector, in light of the United Kingdom withdrawing from the European Union.

### **Conclusion/Action:**

- Members agreed to add "Opinion on the 2019 IORP Stress Test results" to the OPSG Work Plan, to be delivered by Q1 2020.
- EIOPA should indicate, when making a request to the OPSG, whether it is in the context of:
  - a public consultation, for which the group should adopt a common position/opinion/advice to be published on EIOPA's website, or
  - an informal consultation, for which Members should submit a list of aggregated, technical comments not intended for publication on EIOPA's website.
- EIOPA to inform the OPSG once EIOPA's deliverables related to the PEPP are available.
- Members are invited to participate in the Workshop on implementing requirements on pensions reporting on 20 March 2019. Remote attendance is possible.
- EIOPA reminded Members about rules of professional secrecy. Preparatory documents as well as the content of the meeting discussions should remain confidential.

### **4. Update by the European Commission (COM)**

Members welcomed that the European Commission representative delivered his update via video conference. COM informed about the following topics.

### Political agreement on legislative proposal on PEPP

On 13 December 2018, a political agreement on the matters related to registration and eligible providers of the Pan-European Personal Pension Product initiative (PEPP) was reached in the fifth trilogue between the European Council, EP and COM. According to the agreement, EIOPA will not authorise PEPP as proposed by COM, but it will be entrusted to have intervention powers and a registration function.

The agreement foresees that PEPP providers must provide a separate Key Information Documents (KID) for the Basic PEPP and a stand-alone PEPP KID for each alternative investment options or a generic PEPP KID providing at least a generic description of the alternative investment options.

The product will be portable. Mobile citizens will be able to carry along their PEPP when they change residence between countries. The agreement introduces the obligation to offer national sub-accounts for at least two Member States.

Extensive Level 2 legislative work is awaiting on a number of topics. In this context, EIOPA will be empowered to:

- develop draft Regulatory Technical Standards (RTS) specifying the rules that will apply to the 1% fee cap for the Basic PEPP and the content of the PEPP KID.
- facilitate supervisory cooperation,
- develop draft Implementing Technical Standards (ITS) regarding the format of supervisory reporting.

It is expected that the text of the agreement will be adopted by the European Parliament in March or early April 2019. Following the publication of the text in the Official Journal, EIOPA will have 12 months to work on the Level 2 measures. Following the publication of the Level 2 measures, providers will have to wait another 12 months before launching their first PEPP. This means that the first PEPP is unlikely to appear in the market before the end of 2021.

### Occupational retirement provisions directive (IORP 2) - transposition status:

Despite a series of transposition workshops, 16 Member States have not yet transposed the new rules into their national law. The European Commission considers to launch later this year (after the European elections) infringement proceedings for non-communication of the national transposition measures. COM representative further explained the role of the EU Institutions in case of lack or delay of the notification or their incompleteness.

### IORP II Directive - Collective cross-border transfers

A representative of academics complained about an additional – in his view discriminatory – hurdle for cross-border transfers in a Member State (MS). The fact that majority requirements are much higher for a collective cross-border transfer than for a collective transfer was further discussed. COM does not see any fundamental issues in adding more conditions for cross-border transfers compared to domestic transfers. However, close cooperation between the EU and the national level is needed to comply with the regulation in this complex matter.

### **Conclusion/Action:**

- n/a

## **5. OPSG Work Programme**

Members discussed the list of deliverables in the OPSG Work Programme.

### **Conclusion/Action:**

- EIOPA to inform the OPSG about issues related to the European Commission's High-level expert group on Pensions, including any opportunity to comment on the Interim Report.
- OPSG to consider drafting advice on funded pensions contribution to growth and employment, drawing from existing work (See [page 19](#) of the Activity Report of the previous OPSG).
- OPSG will not comment on EIOPA's report on financial stability, which was published in December 2018.

## 6. Consumer Protection

### 6.1. Consumer Trends Report

EIOPA staff presented (see link to presentation [here](#)):

- the methodology for developing Consumer Trends Reports
- new developments and key highlights from the 7<sup>th</sup> (2018) Consumer Trends Report
- the proposed developments for the 2018 Consumer Trends Report
- the suggested process for involving the OPSG.

Members welcomed the continued improvement of the Consumer Trends Report and proposals for the forthcoming report. In particular, OPSG Members appreciated EIOPA's proposal to aim at improving the section on pensions. One Member highlighted that, while the report has significantly improved over the years, it remains still vague in some areas or lacks recommendations where trends are detrimental to consumers.

EIOPA also sought initial views on the topics to be covered in next year's exercise and Members put forward several proposals. These include:

- an increased focus on the gender gap in pensions;
- an examination of how particular millennials' needs, including the lack of stable and permanent employment, should be taken into account when developing pension products/reforming schemes;
- how the continuous shift from DB to DC schemes impacts members/beneficiaries;
- trends with regard to digitisation in information provided to members, and innovations in the pay-out / decumulation phase.

In addition to the above, some Members asked EIOPA to perform a more granular analysis of complaints by looking at multiple sources.

#### Conclusion/Action:

- Members to [volunteer](#) by 5 March 2019 to lead or join the Sub Group on the Consumer Trends Report.
- EIOPA to send request (questionnaire) to the OPSG by 28 February 2019.
- OPSG to deliver feedback on the Consumer Trends Report by 29 April 2019.

### 6.2. Cost and Past performance of Pensions Products

#### 6.2.1. EIOPA's first Report on Cost and Past Performance

EIOPA staff presented EIOPA's first Report on Cost and Past Performance (see link to presentation [here](#)) pointing out that, anticipating the challenges in preparing it, the first report was conducted as a pilot exercise. The absence in many MS of a regulatory reporting for product costs and performance and the complexity and diversity of the market for IBIPs were among the difficulties. The approach taken was sample-based i.e. gathering information for a representative sample of the larger undertakings and their largest products in each national market. KIDs and information necessary for preparing KIDs was used as far as possible. This implied that only 3 markets were covered for personal pensions data.

EIOPA intends to further develop the methodology and increase market and product type coverage. For personal pensions, the objective is, to increase representativeness, to work on costs and performance definitions for markets that do not use KIDs.

OPSG Members were generally supportive of the report. They required minor clarifications, promptly provided by EIOPA.

#### Conclusion/Action:

- Members to take note of the first EIOPA Report on Cost and Past Performance (see here in the [link](#))

#### 6.2.2. Better Finance's report on Real Return of pension saving

Christian Gülich presented the 2018 edition of the research report by the non-profit organisation Better Finance (see presentation [here](#)). A number of Members questioned some technical aspects of the methodology used such as the absence of any reference to the impact of risk in the analysis, the asset allocation (50% equity, 50% bond) used in the comparison of the capital market performance and the annual real net returns for pension savings across Europe, the need to take into account the impact of taxation and regulation on net returns. Overall, it was agreed that the research undertaken by Better Finance in this area had the merit of drawing the attention of policymakers and stakeholders on the level and evolution of the real return of pension savings. What is needed now is agree on a common methodology for calculating past performance and cost.

**Conclusion/Action:**

- n/a

**6.2.3. Exchange of views and next steps on Cost and Past Performance**

Members discussed the possibility of providing an OPSG advice to EIOPA on the annual reports on cost and past performance.

**Conclusion/Action:**

- Members to volunteer by 5 March 2019 to lead or join the Sub Group on cost and performance of pension products to provide advice to EIOPA for the preparation of its annual reports on cost and past performance.
- EIOPA to launch in Q3 2019 an informal consultation with the OPSG to get support to refine the methodology for the upcoming reports, in particular for calculating costs and past performance of IORP DC schemes.

**7. Use of Extranet**

**Conclusion/Action:**

- EIOPA to present in Q1 2019 via videoconference the IT platform (Extranet) for group collaboration, including video meetings and file sharing.

**8. IORP Stress Test: Update**

EIOPA staff provided an update on the project and an overview of the next steps.

The OPSG topic owner summarised the comments received from OPSG with regards to the informal consultation on the draft stress test package, which ran from 31 January to 21 February.

Members welcomed EIOPA's initiative to carry out a stress test to assess the vulnerabilities of IORPs and its members or beneficiaries, as well as the efficient collaboration with stakeholders on this topic.

The enriched analysis of cash flows and the new analytical element of Environmental, Social and Governance (ESG) found OPSG's broad support. Regarding ESG, some Members highlighted that any analysis at this stage is only preliminary and should not pre-empt the work on the ESG taxonomy. The analysis of IORPs' investment behaviour after shock should be further streamlined so not to overburden some of the smaller IORPs, in particular those managing DC schemes.

Several Members stressed the cost of conducting the test and the need of a proportionate approach, also in terms of desired coverage level. This is particularly important because there is no legal requirement regarding the obligation to participate in the stress tests. EIOPA confirmed that the national supervisory authorities chose the participating IORPs – which had to form a representative sample – themselves. In exceptional cases, Member States may only reach a coverage level below the requested one, due to the proportionality thresholds introduced in the specifications.

Several other comments were made, including on the pessimistic nature of the assumptions underlying the basecase scenario and the overall purpose of the tests. EIOPA confirmed that the main goal of the tests were to assess the impact of stresses on the balance sheet of DB schemes and on the implied risk for DC members and possible consequences for the financial stability.

### **Conclusion/Action:**

- Members responded on 21 February to EIOPA's informal consultation, by sending com-ments, on the technical specifications of the 2019 IORP Stress Test, which will not be published on EIOPA's website.
- Stefan Nellshen (topic owner) will draft the OPSG Opinion on the report of the 2019 IORP Stress Test, once available.
- EIOPA confirmed that the OPSG's Opinion is sought in Q1 2020 on the Stress Test report. That Opinion will be published and can make reference to the comments made on the technical specifications.

### **9. OPSG Work on Sustainable Finance**

Members discussed the scope of OPSG advice to EIOPA on sustainable finance.

### **Conclusion/Action:**

- For the time being, the OPSG will focus its work on existing EIOPA requests, such as the informal consultation on Governance and risks assessment (see agenda point 10.1)

### **10. IORP II Implementation:**

#### **10.1. Governance and risk assessment**

EIOPA staff presented (see link to presentation [here](#)) the informal consultation launched on 15 February. The consultation package consists of four supervisory opinions (governance documents, practical implementation common framework, operational risk management and ESG risk management) as well as a Q&A on proportionate supervision.

Members raised questions on the legal basis of the opinions (i.e. Art 29 of the EIOPA regulation) and the reason for issuing them, especially the one relating to the practical implementation of the common framework. It was suggested that cash flow analysis would be more suitable by complementing national frameworks.

Members expressed the view that the opinions should recognise the difference between Solvency II and IORP II (e.g. the terminology used in the area of outsourcing) and should not aim to extend the IORP II provisions. Members cautioned that EIOPA's opinions should not result in double work, given that a number of NCAs are already discussing the implementation of IORP II with the private sector.

It was also recognised that sixteen Member States had not yet transposed the IORP II Directive, whereas NCAs in other Member States are already developing guidelines for the implementation of IORP II. Some Members fear that the EIOPA work could lead to changes in those guidelines and therefore additional costs. The question was raised whether it is useful that OPSG Members provide feedback on the orientation taken in the Member States which are more advanced in the implementation of IORP II.

EIOPA staff explained that supervisory opinions are not guidelines but opinions (i.e. not legally binding), can be issued at any time and may – where deemed appropriate – supplement the IORP II Directive. The practical implementation of the common framework follows from EIOPA's annual work programme. The opinions were developed in close cooperation with NCAs, taking into account existing practice and, hence, avoiding the need for revisions.

### **Conclusion/Action:**

- Flavia Micilotta to lead the drafting on Environmental, Social and Governance aspects (see Q 50-55).
- Michael Reiner to lead the drafting on Operational Risks (see Q 37-49).
- Members to volunteer by 5 March 2019 to lead the drafting on the remaining areas (e.g. Q 15-18, 26-36).
- Members to combine the comments from Members into a single document (template for comments). However, final comments should be delivered by 29 March via the online survey.

## **10.2. Information to Members and Beneficiaries**

EIOPA staff presented (see link to presentation [here](#)) the "Report on other information to be provided to prospective and current members" approved by the Board of Supervisors in January 2019. For this Report, the OPSG prepared a Feedback Statement in December, based on a preliminary draft. EIOPA took on board some suggestions, which improved the overall outcome. An official response to the OPSG will follow in due course. The work on the Pension Benefit Statement (PBS) Designs was briefly presented. Involvement of the OPSG, in an open consultation of preliminary PBS designs, will be further discussed in the next OPSG meeting on 8 May 2019.

### **Conclusion/Action:**

- Members to take note of the IORP II Report on Other Information: prospective and current members.
- EIOPA to inform the OPSG when the Report will be published on EIOPA's website.
- EIOPA to launch in Q2 2019 an informal consultation with the OPSG to get support to refine the layouts of the Pension Benefits Statement (PBS).

## **11. AOB**

### **Conclusion/Action:**

- Members are invited to the **next OPSG meeting** on **8 May 2019** at EIOPA premises (10:00-16:00 CEST).
- Members to suggest by 29 March 2019 any agenda items for discussion in the next OPSG meeting.