

OPSG Response to EIOPA's Opinion

to EU Institutions on a Common Framework for
Risk Assessment and Transparency for IORPs

Some important discussion points

For the OPSG Subgroup's pre-meeting on Thursday 30 June

Overview main discussion points

- Valuation versus Cash Flow Analysis
- DC in scope?
- Public Disclosure
- Supervisory Actions
- Proportionality and Simplifications

- What to report to the full OPSG this afternoon?
 - Any points that need to be resolved in the OPSG meeting?

Valuation versus Cash Flow Analysis

- No enhanced Pillar 1 requirements in IORP 2
- IORP 2, Art 26 on Risk Management refers explicitly to Asset-Liability Management
- IORP 2, Art 29 is titled Own Risk Assessment
 - ‘assess the risks ... that may have an impact on the IORP’s ability to meet its obligations’
- Recital 41:
 - ‘It is essential that **IORPs** improve their risk management **while taking into account the aim of having an equitable spread of risks and benefits between generations in occupational pension provision**, so that potential vulnerabilities in relation to the sustainability of the pension scheme can be properly understood and discussed with the competent authorities.’
- Does the majority of the Subgroup support Cash Flow Analysis?
- If so, how to respond to EIOPA’s suggested valuation and risk buffers?

DC in scope?

- Is suggested by some members of the subgroup
- Most new pension accrual in Europe is DC
- Risk Assessment and Transparency are (also) vital in an DC environment

Public Disclosure

- IORP 2, Recital 43
 - *'Annual accounts and annual reports should be publicly disclosed, where possible on a website, or by other means such as making available copies upon request.'*

Proposal for the subgroup's main message

- Disclosure to sponsor, member, beneficiaries and supervisor
- Public disclosure on voluntary basis
- In all cases any disclosure should be meaningful and, especially for members and beneficiaries, understandable.
 - This could mean disclosure of some key findings in first instance
 - Not throwing loads of information as that would make it difficult to distinguish between major and minor issues
 - Possibility to get more detail if this is requested

Supervisory Actions

Proposal for the subgroup's main message

- Sponsor and members/beneficiaries to agree actions
- Supervisor to react if sponsor and members/beneficiaries don't live up to their own agree pension arrangement

Proportionality and Simplifications

- IORP 2, Recital 15:
 - IORPs with <100 can be excluded from implementation in national legislation
 - ‘... certain provisions concerning investment rules and the system of governance to IORPs which operate pension schemes which together have more than 15 members in total.’
- Proposal for main message:
 - Proportionality important
 - Could be achieved by using simplifications
 - Simplifications should in principle be such that the result is approximately the same (or perhaps somewhat more prudent) as compared to applying the (theoretical) full approach.

Any other topics for decision?

Finalising our Response

- Agree time table
- Agree who does what

What to report this afternoon?