

**EIOPA Occupational Pensions Stakeholder Group**  
Frankfurt am Main, 31 May 2011

**Conclusions**

<b>1.</b>	<b>Approval of the draft agenda</b>	Decision
<p><b>Remarks:</b> EIOPA Chair submitted the draft Agenda for the approval of the OPSG noting that once the election procedure is finalised, the meeting shall be led by the newly appointed Chairperson.</p> <p><b>Conclusion/Action points:</b> Draft Agenda was approved without amendments.</p>		
<b>2.</b>	<b>Approval of the 24.03.2011 meeting Draft Conclusions</b>	Decision
<p><b>Remarks:</b> EIOPA Chair invited OPSG members to put forward their comments, if any as to the Draft Conclusions of the 24.03.2011 meeting</p> <p><b>Conclusion/Action points:</b> Draft Conclusions were approved without amendments.</p>		
<b>3.</b>	<b>Approval of the Rules of procedure of the EIOPA Occupational Pensions Stakeholder Group</b>	Decision
<p><b>Remarks:</b> EIOPA Chair presented OPSG members with an overview of actions taken in the follow-up to the initial discussion in the March meetings. OPSG members were also thanked for their strong contribution and input into revising the initial draft proposals.</p> <p>In order to ensure consistency among the two EIOPA stakeholder groups and to ensure full transparency of work undertaken by EIOPA, a template document presenting all comments received from both OPSG and IRSG has been circulated in advance of the meeting.</p> <p>OPSG members welcomed the template and the revised proposal and requested that under article 2, a new paragraph 6 to be inserted stating that "<i>A Group member cannot serve more than one term as Chairperson or Vice-Chairperson (applies to consecutive terms).</i>"</p> <p>On art. 14 (Information &amp; Confidentiality) EIOPA management undertook to give guidance to the Group when submitting documents as to their degree of confidentiality. This was perceived by some members as a need since they want to take views from their respective employers or constituencies.</p>		

<p><b>Conclusion/Action points:</b> OPSG Rules of procedure were approved with 1 amendment. EIOPA to continue to seek consistency with the IRSG Rules of procedure also.</p>		
<b>4.</b>	<b>Election of OPSG Chair and Vice - Chair</b>	Decision
<p><b>Remarks:</b> EIOPA Chair introduced the topic by welcoming the candidates for the two positions of OPSG Chair and OPSG Vice-Chair and briefly presented the procedure to be observed for the purpose of the elections (as per OPSG Rules of Procedure and guidance note prepared by EIOPA).</p> <p>Candidates were invited to briefly introduce themselves before the election procedure for each position is initiated.</p> <p><b>Conclusion/Action points:</b> Following casting of votes for the two positions,</p> <ul style="list-style-type: none"> <li>▪ Mrs. Chris Verhaegen was elected as OPSG Chair</li> <li>▪ Mr. Benne van Popta was elected as OPSG Vice-Chair</li> </ul>		
<b>5.</b>	<b>EC Call for Advice on the review of the IORP Directive – presentation of EIOPA work method and planning</b>	
<p><b>Remarks:</b> OPC Chair, Brendan Kennedy presented OPSG members with an overview as to work undertaken by EIOPA – Occupational Pensions Committee as well as with overall details on organisation of work throughout 2011 in order to fully deliver on the EC Call for Advice on the IORP Revision. This included:</p> <ul style="list-style-type: none"> <li>▪ Main characteristics of EIOPA response to Commission Call for Advice on Revision of the IORP Directive (Level 1 advice)</li> <li>▪ Timeline of EIOPA deliverables (meetings, consultation periods, break-down of topics, etc )</li> <li>▪ Overview of main elements of input asked from the OPSG</li> <li>▪ Request for OPSG meetings in mid-July and mid-November (proposed schedule of meetings mirrors planned consultation periods).</li> </ul> <p>Following request of OPSG Chair, the EIOPA-OPC support will provide a more detailed breakdown of the topics covered by the Call for Advice as well as allocation of topics.</p> <p>The OPC Chair explained that the most critical aspect of the CfA were the solvency and actuarial issues. He pointed to the probability that EIOPA may only be able to agree on different options and not recommend one single approach because the consequences of such options have a different political impact.</p> <p>OPSG members raised the following points with regard to work to be undertaken by the EIOPA – OPC:</p> <ul style="list-style-type: none"> <li>▪ <i>Impact assessment:</i> OPC Chair noted that this is a Level 1 advice and at this time a formal QIS exercise is not foreseen.</li> </ul> <p>The EIOPA Chair pointed out that for having a full IA the L1 principles should be decided upon or at least taken a clear direction.</p> <p>The Commission representative said a full IA will be undertaken in 2012 but that for a reliable result detailed and comparable quantitative data were needed. He called on OPSG members to help providing those data in cooperation with national supervisory authorities (NSA).</p>		

OPSG members agreed that the IA will be one of the more challenging stages in the project. Lessons should also be drawn from the Solvency II process where decisions were made based pre-crisis calculations and ditto circumstances that were no longer valid.

- *OPSG meetings – July & November 2011 proposals:* welcomed by the OPSG members who highlighted the need to ensure high levels of coordination in terms of timeline of output with the EIOPA and EIOPA-OPC deliverables.

**Conclusion/Action points:**

- EIOPA to circulate to OPSG members the additional details on breakdown of CfA topics and their allocation.
- 20 July meeting: full day meeting with morning session restricted to OPSG members and afternoon session with EIOPA representatives.
- 20 July meeting: EIOPA to bring forward also more details as to second round of consultations to be run later in November 2011.

<b>6.</b>	<b>EC Call for Advice on the review of the IORP Directive – Discussion on selected issues</b>	Discussion
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**Remarks:** OPC Chair briefly introduced the three main topics (presented as questions) where the input of the OPSG is needed for the purpose of the July 2011 consultation papers i.e.:

***Question 1: Based on your experience what are the obstacles to cross-border schemes?***

The OPSG members recognised that cross-border occupational pensions schemes have not developed to the level expected. Those that have been set up are mostly sponsored by multinational companies. It should be highlighted that the demand of cross-border IORPs is employer driven and that members mostly cannot choose themselves for an IORP that is established in another Member State than the one in which they are employed. Remark was also made that EIORPs are more of a political agenda than there be a strong demand from employers’ side.

The OPC Chair had inquired (cfr. Discussion note, EIOPA-11-OXX) whether the obstacles could be identified as being :

- legal
- prudential
- governance-based
- Informational.

OPSG members agreed there are a number of reasons. The most relevant ones are those listed under the first item hereunder :

**LEGAL UNCERTAINTIES SUBSIST leading to SUPERVISORY COMPLEXITY:**

- The main hurdle is the different scope of the 27 Members States’ social and labour law and the prudential laws. There is a lack of a common EU wide definition. This could have been alleviated – but not eliminated - by full and comprehensive information about host state law but national supervisors/administrations have failed to do so. Requiring each single member’s individual consent for his/her pension scheme to be funded through a cross-border IORP is just one example of domestic supervisor’s diffidence vs. cross border provision of services by IORPs.

- The definitional issue of “cross border activity”
- The consequences of the full funding requirement “at all times” are damaging the appetite for cross border IORPs. Should it be kept ? What does it mean anyhow? A employer-member proposed to do away with the different treatment of pure domestic IORPs vs. cross-border IORPs or EIORPs.
- Ring fencing requirement (different approach across 27 supervisors)
- Taxation systems remain problematic because of different definition and scope of occupational pensions across Member States and consequential uncertainty about tax treatment of contributions to the EIORP.
- Administrative obstacles including difficulties in supervisory cooperation

#### COST ISSUES

The bulk of the costs are front loaded and there seems to be no certainty there will be cost savings as shown in forecast calculations. Complexity and uncertainty absorb much management and consultancy time, especially in the preparatory phase.

#### GOVERNANCE BASED

There was no support expressed for the assumption that the market lacked confidence in the competence and integrity of those running IORPs in other Member States.

#### INFORMATIONAL

In occupational pension schemes members do not have to decide which funding vehicle will fund their pension. Hence, the information given to them is not an element of the decision process to contribute to a cross border IORP.

OPSG Members perceived also a LACK OF INCENTIVES within EU and national frameworks to promote cross-border provision of services by IORPs.

The MANDATORY SECOND PILLAR DC SCHEMES and corresponding institutions/funds in Central and Eastern Europe is not conducive for the development of cross-border occupational pensions schemes to this area. It was observed that the CEE region is not yet ready for genuine occupational pension provision, meaning the population does not perceive them as needed and employers are not interested.

CULTURAL AND LANGUAGE BARRIERS also play a role in deciding on the establishment of an EIORP (which Member States covered ?; is structure of pension system similar ?)

#### **Question 2: What would be the best ways of increasing the confidence of employers and members in defined contribution schemes?**

Since Defined Contribution (DC) schemes have spread at rapid pace across the EU since the adoption of the IORP I (Dir. 2003/41), OPSG members agreed that it is relevant today that the review also looks into this type of pension scheme.

The increase in DC pensions have come in two ways :

- changing occupational DB schemes into DC schemes
- set up of new types of supplementary pension provision where occupational pensions are a recent phenomenon. This includes both developments in the New Member States with the mandatory second pillar pension system and Member States where until appr. 15 years ago there was an overwhelming reliance on

state provided pensions only (e.g. Italy, Spain, Portugal).

Members agreed that confidence in DC could be strengthened in various ways :

- by providing adequate education on DC pension schemes and long term savings in general – the auspicated “financial education”
- by submitting clear and adequate information; however, information can only attain a level of efficiency if there is sufficient level of understanding through financial education – members should be able to understand the information provided. Information requirements to members were seen as critical before enrolment as well as thereafter on an on-going basis.
- by effective supervision.

The compounded effect of those actions is likely to increase the confidence in the DC schemes.

The efficiency of DC schemes also could be increased, through

- appropriate governance in DC
- internal controls
- effective risk management to mitigate the investment risk to the beneficiary.

There was a broad concern - from employee and consumers’ side - for protecting the value of the assets over the career and ensuring the members coming closer to retirement would not be exposed to sudden loss in value of their pension capital. This can be catalogued as an efficiency characteristic

The adequacy of DC schemes should also be assessed taking into account the contribution levels to those schemes before concluding their delivery is unsatisfactory.

From plan sponsors’ side there was a concern that increasing security of pension schemes may drive out employers from occupational pension provision leading to lower cover ratios – an evolution seen as undesirable.

What Solvency II has done is trying to make explicit the cost of any form of guarantee.

**Question 3: What would be the best way of securing proportionality?**

Given time constraints, it was agreed written inputs would be collected from OPSG members within 2 weeks’ time.

**Conclusion/Action points:**

- EIOPA support to send request for written input from OPSG members (DL for contributions is 17 June 2011)
- EIOPA to circulate the 2008 CEIOPS Solvency II Level 1 Advice on proportionality

<b>7.</b>	Future meeting dates: 20 July 2011 – FFM, 19 October – FFM (Note: joint mtg. with IRSG) and 17 November – FFM	Decision
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**Remarks:** N/A

**Conclusion/Action points:** Revised meeting calendar for 2011 was approved.