

**Occupational Pensions Stakeholder Group meeting  
04 July 2013**

**Venue: EIOPA Headquarters, Frankfurt, Germany;**

**Conclusions and Action points**

List of participants:

OPSG: Chris Verhaegen (OPSG Chair), Benne van Popta (Vice-Chair), Gunnar Andersson, Gábor Borza, Naomi Cooke, Charles Cronin, Otto Farny, Bruno Gabellieri, Janda Fritz, Ruth Goldman, Régis de Laroulliere, Henri Lourdelle, Baiba Miltovica, Manuel Peraita, Patricia Plas, Martine van Peer, Giuseppe Rocco, Joachim Schwind, Federica Seganti, Philip Shier, Klaus Struwe, Taylor Douglas, Allan Whalley and Bernhard Wiesner.

Drafting support to OPSG: Kruk Kai.

EIOPA: Gabriel Bernardino (Chair), Carlos Montalvo (Executive Director), Brendan Kennedy (OPC Chair), Justin Wray (Head of Policy Unit), Manuela Zweimueller (co-ordinator External Relations), Pamela Schuermans (co-ordinator Pensions), Giulia Conforti, Beata Kaminska, Cees Karregat, Barthold Kuipers and Teresa Turner.

09.00	Welcoming by Ms Chris Verhaegen, OPSG Chair	Type
1.	<p><b>Approval of the draft agenda</b></p> <p>➤ <i>Doc: EIOPA-13-247: Draft agenda OPSG mtg.</i></p>	Decision
<p><b>Remarks:</b> OPSG Chair welcomed Members to their 14<sup>th</sup> and last statutory meeting of the Stakeholder Group and informed OPSG members that no Commission representative would be attending the meeting.</p> <p><b>Conclusions:</b> Draft Agenda was approved.</p>		
2.	<p><b>Approval of the 25.04.2013 meeting conclusions and action points</b></p>	Decision
<p><b>Remarks:</b> The 25 April 2013 Conclusions and action points were approved. Link to the minutes: <a href="https://eiopa.europa.eu/about-eiopa/organisation/stakeholder-groups/occupational-pensions-stakeholder-group/meetings/index.html">https://eiopa.europa.eu/about-eiopa/organisation/stakeholder-groups/occupational-pensions-stakeholder-group/meetings/index.html</a></p>		
3.	<p><b>Update from EIOPA Chair on developments</b></p>	Discussion
<p><b>Remarks:</b> Gabriel Bernardino gave an overview on pensions' latest developments and on-going work streams, highlighting in particular:</p> <ul style="list-style-type: none"> <li>• <b>On-going consultations/latest publications:</b> <ul style="list-style-type: none"> <li>○ EIOPA published the Quantitative Impact Study (QIS) Final Report, which was adopted by the Board of Supervisors on 30 June. <a href="#">Hyperlink to the text.</a></li> </ul> </li> </ul> <p>The final report is more comprehensive in terms of substance: it contains more in-</p>		

formation with respect to qualitative assessment; it analyses pension protection schemes and the effect of benefit reductions. EIOPA Chair thanked all stakeholders involved in the QIS;

- EIOPA published a Discussion paper on Sponsor Support Technical Specifications for public consultation until 31 October 2013. [Hyperlink to the text.](#)
- EIOPA published the Technical Findings on the Long Term Guarantees Assessment (LTGA). [Hyperlink to the text.](#)
- **EIOPA Work Programme 2014:** it foresees, among other tasks, potential further QIS work (risk based supervision on IORPs), an occupational pension stress test and technical advice to develop an EU Single Market for personal pensions. EIOPA Chair invited OPSG members to provide feedback on the draft document latest until the end of the OPSG mandate.
- **EIOPA Budget:** the feedback from the Commission on the proposed FTE, according to the establishment plan to join EIOPA in 2014 has been significantly reduced, due to the cross-cutting savings that need to be implemented across Europe. EIOPA Chair argued for an independent budget line in the COM budget;
- **OPSG Selection procedure:** circa 70 applications have been received. Following the recommendations by the Ombudsman, EIOPA will be very strict on the deadline for reception of applications and will apply the new procedures as described in the Selection Procedure framework, as regards to balance, diversity and expertise and will further focus on the adequate representation of consumers.

The Selection Panels meetings will take place in July and August and the new OPSG composition will be submitted for approval, first to the Management Board, and then to Board of Supervisors on 26/27 September. The kick-off meeting of the new OPSG will take place on 24 October in Frankfurt.

The floor was opened for questions/comments by OPSG members:

- Commissioner Barnier's decision to exclude the pillar 1 of Solvency II from the review of the IORP Directive was greatly appreciated by OPSG; IORP II draft to be out in Q3/Q4.
- An OPSG member suggested to make a public statement or to send a letter to Commissioner Barnier appreciating this decision and emphasizing its final character;
  - EIOPA Chair emphasized that more technical work will be needed before a final decision in the longer term, then the situation will be re-examined.
- OPSG vice-Chair was the opinion that Barnier had just postponed the work due to the lack of time, but that it would not prevent further work and new QISs in the coming years.
- One OPSG voice expressed concerns as regards to the (negative) impact the uncertainty and current volatility could have on pensioners, citizens and employees of those companies. Another voice showed concern on the level of proportionality of the future regulation;
- The discussion focused on the level of involvement of the OPSG, to which EIOPA Chair replied that EIOPA would involve the new OPSG in the discussions and proposals for a sound prudent regulatory regime.

#### **Conclusions & actions:**

- OPSG members agreed to stick to their (technical) mandate and to wait for a suitable opportunity once Barnier's proposal on IORP II is made public in order to respond as OPSG.
- The OPSG members are invited to provide comments on the draft Work Programme for 2014

4.	<b>Feedback on the Public Hearing on Review of the European System of Financial Supervision (ESFS), 24 May Brussels</b>	Discussion
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**Remarks:** Gabriel Bernardino, EIOPA Chair, thanked OPSG Chair for her intervention at the hearing. Key focus of this panel was to launch a vision for the future, which was very valuable. He then summarised the messages of his speech and why he sees the need for an evolution in the development of EIOPA:

1. **Operational independence on the budget side** (complete independence on the policy side is a given fact and a pre-requisite for EIOPA's role as technical body):
  - Currently, DG MKT pays 40% of the EIOPA budget; EIOPA pursues an independent budget line in the COM budget;
  - Explore partial financing by levying fees on the industry in line with the evolution of EIOPA's mandate and powers;
  - More flexibility in the budgetary framework to attract good people.
  - More efficient decision making to ensure the capacity to take swift and effective decisions and avoid situations of conflict of interest with the mandate of national competent authorities, for example in crisis management or breach of union law.
2. **Independent challenging role of the Authority**
  - Extend the current powers of EIOPA to conduct an inquiry into a particular type of financial institution, type of product, or type of conduct. This power should not be confined to crisis periods but be used more generally;
  - Access to information needed.
3. **Enhanced mandates and powers**
  - Sectorial legislation in insurance and pensions is needed to make the powers under the EIOPA Regulation work. EIOPA's power to ban or restrict financial activities needs to be brought to life;
  - Extension on the pension side to the supervision of personal pensions;
  - Introducing a centralized oversight role for EIOPA in the field of internal models.

Also, OPSG Chair referred to her intervention, which was based on the minutes of the meeting in November 2012 provided by EIOPA and, in particular, the break-out sessions. She underlined the following points:

- The need for two Stakeholder Groups, which proved to work well –also as a personal enriching experience- and shall be maintained;
- An extended mandate for EIOPA on personal pensions, and
- An increased budget for EIOPA adequate to its tasks, otherwise EIOPA might feel tempted to ask for levies in private sector.

In addition, OPSG Chair hinted at the following areas of improvement:

- Stakeholder Group members would benefit from earlier information to prepare reports;
- Too short deadlines imposed by the EC to the ESAs, then passed on to the Stakeholder Groups.
- A mandate of 2.5 years is too short, taking into account that the first two meetings serve to develop the Work Plan.

The following comments were raised:

- An OPSG voice suggested to EIOPA that supervisory consistency should be strengthened within IORP II in order to avoid what happened in IORP I, i.e. development of national specificities.
  - EIOPA Chair agreed that the next regulation should have less Member State options. His view is that EIOPA has a role in issuing Technical Standards and Guide-

lines that cover the principles in the directive; besides a supervisory handbook will be prepared to enhance supervisory practices in IORPs.

**Next steps:**

- The European Commission is expected to publish an evaluation report in autumn, to be followed by a proposal in spring 2014;
- The European Parliament is independently working on an evaluation report.

11.15	Coffee break	
5.	<b>EIOPA presentation on QIS Final Report and Discussion Paper on Sponsor support</b> , Barthold Kuipers	Discussion

**Remarks:** Barthold Kuipers, EIOPA principal expert on pensions and Chair of the OPC subgroup on QIS, gave a short presentation on QIS final report & EIOPA discussion paper on sponsor support. To access the presentation, please go to OPSG website or follow the link in the footnote<sup>1</sup>.

In the next steps he outlined:

- Presentation of final report during **QIS closing event** on 10 July 2013
- EIOPA will prepare work programme for conducting further study on issues identified before and during the QIS exercise
- **Discussion Paper on sponsor support** technical specifications: it contains 36 questions and is open for consultation until 31 October 2013
- EIOPA report on further work sponsor support is foreseen for next spring 2014

The floor was open for questions and subsequent discussion:

- Can EIOPA provide a sponsor support definition? EIOPA expert replied that this is any employer that provides legally enforceable support to a scheme (current definition). However, he admitted that this was a point for discussion within the discussion paper itself, given that the employer support is not always legally enforceable. Finally, an OPSG academic made a reference to the HOGAN case from the European Court of Justice (ECJ), which is still pending verdict and which may shed some light on insolvency and state responsibility.
- One OPSG member asked how much should IORPs –especially the small ones - rely on Credit Ratings and whether there was an alternative. EIOPA Executive Director replied that the key was to avoid a “mechanical” use of CRs. The IORP should check if they are adequate and draw the right conclusions from the results stemming from this rating makes sense. Nonetheless, final responsibility for the outcome stays with the institution.
- OPSG members asked about practical implications of QIS results; discussion about whether results are purely theoretical (many schemes would close) or helpful in designing regulation.
  - OPC Chair (Brendan Kennedy) replied that the study conducted by EIOPA aimed at a simple comparison of the security of pension funds on a common basis. In some specific cases the study shows that a number of IORPs would need to raise capital: the consequence could lead to closing the fund, benefits would not be paid out, unless the government pays the bill.
- OPSG stresses that the risk situation is different for IORPs as compared to insurers, because of Pensions Protection Support (PPS), social security (SS) and benefit reduction formulae.
- EIOPA emphasizes that there is large cross-country heterogeneity but that the objective

<sup>1</sup> [https://eiopa.europa.eu/fileadmin/tx\\_dam/files/Stakeholder\\_groups/occupational-pensions/2013-07-04/QIS\\_final\\_report\\_discussion\\_paper.pdf](https://eiopa.europa.eu/fileadmin/tx_dam/files/Stakeholder_groups/occupational-pensions/2013-07-04/QIS_final_report_discussion_paper.pdf)

of QIS was to display this, make it transparent, identify vulnerabilities and provoke discussions on the sustainability of pensions for policy decision makers; the QIS was not meant as a stress testing. The low harmonisation of the current IORP Directive shows there is a large diversity of members' protection across the Member States.

**Conclusions and next steps:**

- The QIS closing event is scheduled on 10 July at EIOPA. Registration can be submitted until Monday, 8th July.
- The Public consultation Discussion Paper on Sponsor Support Technical Specifications is open until 31 October. OPSG can provide feedback until end of its mandate, i.e. end of August.
- In this respect, OPSG agreed that no sub-group will be established; members may prepare individual responses.

6.	<b>EIOPA Public Event on Personal Pensions, 11 June 2013</b>	Discussion
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**Remarks:** Cees Karregat, EIOPA expert on pensions, introduced the main focus of the event, which purpose was to find the current obstacles to personal pensions to a single market. He also summarised the issues raised during the event in his presentation, which is available on EIOPA [website](#), under the OPSG meetings section.

There was a large discussion on transparency, cost structures and returns of personal pension schemes in all member states. In particular, a number of points were raised:

- On an international level, OPSG members would welcome a definition of personal pension plan in combination with other types of pension plans.
- On national level, OPSG stressed the need to enhance the quality of personal pensions plans; they demand a long commitment to pay the money into these funds, whilst the tax regimes will have changed.
- European responsibilities: what could be done to strengthen the quality of personal pension plans at national level?
- OPSG stressed that the regulatory non-stability in several areas (derivatives, distributors, solvency, IORPs) is affecting the confidence in the market and that urgent actions need to be taken in order to stabilise the situation and recover the market.
- On education: continuous efforts need to be made to provide focused information to consumers and to educate them, given the lack of understanding of this market.

**Next steps:**

- The consultation on the discussion paper is open until 16 August
- The preliminary EIOPA report to the European Commission is due by February 2014, to be followed by a detailed call for EIOPA's technical advice.

7.	<b>Personal Pensions – Issues Paper</b>	Discussion
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**Remarks:** The draft mandate of the subgroup on Personal Pensions led by Ruth Goldman was adopted.

In the subsequent Group discussion on the draft opinion, a number of points were mentioned:

- Concerns from smaller countries that the report is UK based;
- Tax initiatives are often absorbed by fees; no reference is made as to how it should be once obstacles and discrimination is removed; the way forward is coherence among Member States, but EIOPA has no competence in tax issues;
  - EIOPA's task is to look at obstacles to a single market and to a 28th regime. In this regard the tax issue is crucial.

- PP are not efficient compared to occupational pensions, hence in times of tight public budgets occupational pensions should be tax preferred rather than PP;
- Point was made that personal pensions are not necessarily commercial; PP still important for individuals without access to occupational pensions;
- Group personal pensions in UK are growing and moving towards PP. They are still provided through the employer, therefore they should be included under IORP.
- “Pre-fond” is covered by the insurance regulation in France (commercial).
- In Italy the same tax incentive is given to OP or PP products in order to solve mobility issues between employees and self-employed.

**Conclusions:**

- Mandate of the subgroup was adopted and has been uploaded on EIOPA website
- OPSG members are invited to submit comments by 12 July to the lead. A revised document will be sent on 18 July for comments first and then vote by mid-August.

8.	<b>EIOPA Survey of EU practice on default investment options</b>	Discussion
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**Remarks:** Philip Shier presented the draft response to the survey and welcomed feedback by members.

A suggestion was made to explore the cost and comparison between default options, which could vary depending on the average age of members. The aim would be to devise principles for good default design.

**Conclusion:**

- OPSG members are invited to submit comments by 12 July to the topic owner. A revised document will be sent on 15 July for comments first and then vote.

9.	<b>Subgroup on Pension Fund Governance: final report</b>	Decision
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**Remarks:** Charles Cronin, leader of the sub-group on Pension Fund Governance, reported on the progress achieved in the draft report shared with OPSG.

He summarised work of the subgroup, which consisted of 12 members from 9 countries. The governance in each represented country was described and reported in clusters. Among the recommendations he highlighted that the actual members of scheme should take non-executive positions and that the text should speak of members rather than employees as employees are not always members.

OPSG questions the following points:

- Fit and propriety of non-executive members might be too prescriptive;
- Proportionality - what an optimal governance structure is and whether it can be applied 1:1 to small IORPs; it is brought up that it might be desirable that not all 100.000 pension schemes survive;
- Role of custodian to be cleared, as legal obligation is not the same across EU.

Charles agreed to add a section with comments to the report and will then hand it over to next OPSG to continue work.

**Conclusions:**

- Charles Cronin to insert amendments to reflect the meeting discussions by 10 July.
- The Report was adopted as an OPSG discussion paper, to be circulated by the Chair to third parties.

10.	<b>Private Pensions: real return by EuroFinUse</b>	Discussion
<p><b>Remarks:</b> Klaus Struwe and Charles Cronin presented the main findings of the Report, which covers both occupational as well as private (3 Pillar) pensions and uses the terminology from OECD. To access the presentation, please go to OPSG website or follow the link in the footnote<sup>2</sup>.</p> <p><b>Conclusion:</b></p> <ul style="list-style-type: none"> <li>➤ The Report, which highlighted quite modest real returns, comes at a crucial moment.</li> </ul>		
11.	<b>OPSG Activity Report 2011-2013</b>	Discussion
<p><b>Remarks:</b> OPSG members and in particular topic owners were reminded to send their contributions for the completion of the Activity Report.</p> <p><b>Conclusions:</b></p> <ul style="list-style-type: none"> <li>➤ Missing contributions on personal pensions and default investment options to be delivered by the topic owners by 12 July.</li> <li>➤ Self-assessment: OPSG members are invited to submit survey no later than 8 July COB.</li> <li>➤ Final Activity Report to be sent for approval on a written procedure.</li> </ul>		
12.	<b>Discussion on completion of the <a href="#">OPSG Work Plan</a></b>	
<p><b>Remarks:</b> The OPSG Chair informed the audience that all the workstreams and deliverables embedded in the OPSG Work Plan 2012-2013 had been successfully fulfilled. In addition, the following topics have been covered: Personal Pensions, Governance, QIS preliminary Report and the Report on Governance.</p> <p><b>Conclusions:</b></p> <ul style="list-style-type: none"> <li>➤ EIOPA will update the Work Plan with the completion of activities, to be uploaded on the website.</li> </ul>		
13.	<b>AOB</b>	
<p><b>Closure OPSG mandate</b></p> <p>The OPSG Chair concluded the meeting by thanking the audience for the open debates and praising the richness of the variety of the group members and their engagement throughout the mandate, including their regular attendance.</p> <p>She also thanked Gabriel Bernardino, EIOPA Chair, and Carlos Montalvo, EIOPA Executive Director, and the members of the Management Board for the good working environment and for regularly attending the meetings, jointly with the working group Chairs and EIOPA experts. Next, she emphasised the high standard of EIOPA dedicated staff, in particular the experts from the Pensions team and the EIOPA staff members who dealt directly with the Stakeholder Groups.</p> <p>EIOPA Chair also joined in and particularly thanked the OPSG members for the open and frankness in their debates as well as for the good group spirit and constant input to EIOPA and a very high level of quality of their deliverables. Finally, he also congratulated Chris Verhaegen for her remarkable achievement and for having set a high standard in the OPSG.</p>		
16:30	End of the meeting	
17:00 - 20:00	"Get together" at the Botschaft restaurant (across EIOPA premises)	Social event

<sup>2</sup> <https://eiopa.europa.eu/about-eiopa/organisation/stakeholder-groups/occupational-pensions-stakeholder-group/meetings/index.html>