

Summary of Conclusions

Occupational Pensions Stakeholder Group

Eighth meeting

Date: 8 May 2015

Time: 10:00 – 15:30

Location: EIOPA premises, Frankfurt

Contact: Giulia.Conforti@eiopa.eu

List of participants:

OPSG: Philip Shier (Chair OPSG), Matti Leppälä (vice-Chair OPSG), Lukasz Budzynski, Janwillem Bouma, Charlotta Carlberg, Alberto Floreani, Bruno Gabellieri, Thomas Keller, Michaela Koller, Niels Kortleve, Pierpaolo Marano, Hristina Mitreva, Marianne Moscoso-Osterkorn, Ellen Nygren, Manuel Peraita, Ján Šebo, Federica Seganti, Marius Serban, Klaus Struwe, Martine Van Peer, Chris Verhaegen, Neil Walsh and Allan Whalley.

EIOPA: Gabriel Bernardino, (Chair - afternoon), Luk Behets (Belgium FSMA), Carlos Montalvo (Executive Director - morning), Olaf Sleijpen (OPC Chair); Manuela Zweimueller (Director Regulation), Gabriele Arnoldi (External Relations coordinator), Simona Murariu and Giulia Conforti (External Relations team), Alexandra de Jong and Julian Arevalo (Cross-sectoral and consumer protection unit), Sandra Hack (Pensions team coordinator), Barthold Kuipers (Pensions team).

European Commission: Jung Duk Lichtenberger, GD FISMA – via telco.

Absent: Laure Delahousse, Ruth Goldman, Fritz Janda, Joachim Schwind, Petar Vlajić and Douglas Taylor.

1. Welcome and approval of the draft agenda and minutes of the previous meeting

The Chair welcomed all participants and made three introductory remarks

1. All OPSG members should ensure that they signed the attendance sheet
2. At his own initiative, a reshuffled seating arrangement was organised to give members an opportunity to get a different perspective
3. He welcomed back, on behalf of all, OPSG members, Giulia Conforti following maternity leave

In relation to the agenda, he informed that Ruth Goldman was unable to be present and that he would provide feedback on the OPSG response on the transferability consultation.

Jan Willem Bouma asked if an item on the effect of low interest rates could be included and the Chair advised that this could be considered under the discussion of Agenda Item 9 – OPSG Work Programme 2015-2016.

OPSG Chair requested group's approval for meeting agenda and minutes for the March meeting.

Conclusions:

- Agenda was adopted
- Minutes of 10 March meeting was approved

2. EIOPA and EU COM Updates

- *EIOPA general update, by Carlos Montalvo, EIOPA Executive Director:*

- He highlighted the upcoming **Pensions Stress Test and Quantitative Assessment** exercises, which similarly to the Insurance Stress Test will assess several stress scenarios (e.g. he referred in particular to Japanese, corporate bonds and Tequila crisis). The exercises will be launched on 11 May with a public event organised at EIOPA on 19 May.
- EIOPA work on **Personal Pensions**: he reported on the good progress of the consultation paper for a 2nd regime product, which he sees as part of the solution to complement sustainable and adequate retirement income, and the right step towards adapting to new solutions, e.g. internet sales. He informed that the formal consultation is planned from 1st July until 30 September;
- He reported that due to the 7.6% cut in the budget, EIOPA work has been reprioritised and this is reflected in the **revised work programme 2015**. More specifically in the area of pensions, EIOPA is concentrating its resources on IORP solvency work and personal pensions - two key work areas where EIOPA is developing advice to EU COM. Other previously envisaged deliverables such as Advice to COM on IORP Delegated Acts have been removed or downgraded in terms of order of priority and staff allocated.
- Market development **report for pensions and cross-border IORPs**: he reported that currently 88 cross-border schemes are active in Europe. This year's report will be issued in the summer.
- He informed that EIOPA'S **Crisis Prevention and Management Handbook for IORPs** in case of events with EU-wide effects was approved by the Board of Supervisors; the Handbook aims at:
 - Achieving a common understanding with regard to crisis prevention and management in the field of IORPs;
 - Clarifying roles and responsibilities in the crisis management process; and
 - Ensuring a consistent and coordinated approach among all parties involved.
- He informed that EIOPA is finalizing the **response to the European Commission consultation on the Capital Markets Union' Green Paper** and that the text will be sent to OPSG for information.
- On the upcoming events, OPSG members were reminded that this year Joint ESA Consumer Protection Day 2015 is set to take place in Frankfurt on 03 June, for which OPSG members received the invitation to register on 1 April.

- *EU Commission update, by Jung Duk Lichtenberger, EU COM representative:*

- The **review of the IORP Directive**: following discussions in the ECON and DG EMPL, Commission expects to have the draft opinion by June-July 2015. He reported that the discussion is somewhat similar to that in the Council. The proposal has a lot of good elements but Member States require a lot of flexibility on how to implement that.
- **Personal pensions**: COM is waiting for responses to Q13 in the Capital Market Union (CMU) Green Paper consultation. They also await OPSG input and the EIOPA advice on personal pensions. EFAMA has also contributed already on the topic of personal pensions.

He informed that a pan-EU pension scheme for European researchers is being developed. They would have an IORP based in Belgium and start small with a few Member States involved.

- **Staff changes**: He also confirmed that Nathalie Berger (former HoU audit and CRAs unit) will replace Klaus Wiedner as DG FISMA Head of Unit as of mid-May.

Questions/comments:

- The OPSG Chair on IORP – he reported that according to the information available from ECON rapporteur, something could be in place early in 2016. The OPSG will soon approve their input to the Review. He concluded that one area of attention is the cross-border provisions and this input may come later from the OPSG.
- Guillaume Prache informed that "Better Finance" has also published a paper in response to the CMU consultation. See [link](#) for more info.

Next event:

- ECON will hold a [public hearing](#) on the Commission's proposed revision of the Institutions for Occupational Retirement Provision Directive (IORP II) on 26th May.

3. OPSG Chair update and report:

The Chair informed the meeting that due to his new position as the Group Chair he had asked Niels Kortleve to take over the leadership of the Solvency Subgroup and that Niels had accepted.

- EIOPA work in infrastructure investments

Thomas Keller provided an update of the EIOPA Roundtable on Infrastructure Investments by Insurers that took place in EIOPA on 27.02.15. The slides of his presentation can be found on the [OPSG webpage](#).

On the timeline of the project, he reported that:

- The second Infrastructure roundtable will take place in May, with focus on preliminary ideas developed by EIOPA on the basis of the discussion paper.
- In June 2015: EIOPA will submit its Technical Advice to Commission.

Conclusion:

- OPSG Chair thanked Thomas for this insight and invited him to present the roundtable results at the next meeting.

- EIOPA work on Consumer Trends

OPSG Chair referred to the input made by OPSG to EIOPA on the Consumer Trends Questionnaire, which was submitted at end of April, and thanked members for their comments and, in particular, Doug Taylor for putting these into a coherent submission.

Julian Arevalo, EIOPA Expert on Consumer Protection, welcomed the very rich and detailed input provided by the OPSG. He further explained that this in addition to the input by Member States will be the substance for developing the final report.

Conclusion:

- EIOPA Report on Consumer trends will be published in December 2015.

- OPSG input to EIOPA consultation on transferability

OPSG Chair highlighted a number of points added in the feedback to EIOPA:

- Cross-border is more complex than within-border transfer;
- Transfer of capital should be distinguished from transfer of rights as it is not practical to have an EU requirement on the new employer to take on the responsibility for underwriting rights earned with the previous one;
- Transfer due to tax arbitrage: transferring IORPs need to be able to do additional enquiries to ensure that they are not making a payment designed to facilitate tax avoidance.

The OPSG comments on the Consultation Paper EIOPA-CP-15/001-Pensions Transferability can be found on the document summarising the Stakeholder comments on [EIOPA website](#) (see pages 40-43).

Conclusion:

- OPSG Chair thanked OPSG members for their contribution and Ruth Goldman for assembling the Groups' response.

4. EIOPA feedback on input received during public consultation on Pensions Transferability

Presentation was delivered by Alexandra de Jong, Expert on Consumer protection. She provided feedback on the main comments received during consultation phase. The slides are available on the [OPSG webpage](#).

As regards to the next steps, she informed that EIOPA is finalising the Report that will be submitted for approval by the BoS at the end of June. Thereafter, EIOPA will submit the response to the Commission Call for Advice and publish the document.

Reactions by the OPSG:

- A question arose from a Professional Associations representative on whether the Member States will have the decision over the advice and who can provide it. The EIOPA expert replied that this is a practice that can vary from one Member state to the other and that EIOPA does not want to prescribe who should give advice.
- A comment from the beneficiaries side highlighted the fact that switch/transfer between IORPs is a difficult process and that the two years' timescale limit indicated by EIOPA is too little due to the complexity of the product.
- A remark made from the industry side confirmed the difficulty in finding advisers, which are faced with complex personal case questions related to tax, law, benefits, etc.

Conclusion:

- EIOPA advice to Commission, which is due in July, to be further discussed at the OPSG October meeting.

5. Quantitative assessment (QA) of further work on solvency and pensions stress test (ST)

Presentation was delivered by Barthold Kuipers, Principal expert on Pensions. OPSG received an update on the upcoming Quantitative Assessment and Pension Stress Test exercises. The slides can be found on the [OPSG webpage](#).

The EIOPA expert informed on the timeline of the QA and ST exercises:

- A total duration of 3 months, between 11 May (launch) and 10 August (closing).
- A parallel Q&A process has been set up, via the NSAs to EIOPA.
- A launch event taking place on 19 May, at EIOPA premises, with 80 participants registered
- Final Stress Test Report is expected by December 2015
- The EIOPA advice to Commission is due by March 2016.

Reactions by the OPSG industry side:

- An OPSG member echoed some comments made by an industry association with doubts raised about the legality of the exercise. The EIOPA Executive Director replied that EIOPA is not a legislator, but that in its Regulation (Recital 42 and Article 32) EIOPA has a legal obligation to pursue its mandate in the area of Occupational Pensions.
- Another member asked whether NSAs were free to conduct the consolidation of IORP responses on a country by country basis. EIOPA expert explained that the process envisages a joint "validation" group composed of 10 experts (mixed EIOPA and NSA staff), which will have access to individual data, under a confidentiality agreement. Only the results of the consolidation will be sent to the NSAs. He assured that in the final report it will not be possible to identify individual IORPs.
- Finally, considering the ST and QA timeline, it was noted that the only possibility for OPSG to get involved in the process would be between the results and the preparation of the advice.

Conclusion:

- OPSG Solvency Subgroup would engage later in the year with EIOPA as regards the ST/QA work, as appropriate.

6. OPSG statement – ESFS review

The OPSG Chair referred to the revised draft statement on the ESFS review, which focuses on the Stakeholder Group operation and aims to provide an opinion on Commission's views on issues such as: the Stakeholder Groups' impact, the resources aspect, the balance of representation within the Group, the duration of the mandate, the transparency of the work, etc. The statement has been shared with the IRSG and will be tabled at their next meeting in June.

Nevertheless, the Group's view was that it would be desirable to submit input on the Review latest after the July meeting, even if it were not possible to submit a joint Opinion with IRSG.

Conclusion:

- OPSG Chair to contact IRSG Chair stressing OPSG wish to finalise input

- Paper to be approved at the July meeting, if possible with IRSG input.

7. OPSG input – Review of the IORP Directive

Matti Leppälä presented a revised own initiative position paper to the Group, which had been updated at a pre-meeting of (most of) the drafting group. The paper contained some changes that were highlighted to the Group, namely:

- The importance of return on pension funds;
- Issues related to the need for EU involvement in cross border transferability or tracking accrued pension rights;
- Access to concise and understandable information in a comparable form to pension scheme members and beneficiaries;

It was agreed that the paper should consider only the initial Commission proposal and not attempt to reflect subsequent Council drafts.

OPSG Chair thanked Matti and the drafters for their work to date, and noted that it was important to finalise a position in the near future, given the progress being made in the political arena. It would be open to OPSG to consider in more detail some of the issues in the Directive (and to reflect any changes proposed by Council or Parliament) in a later paper.

Conclusion:

- OPSG to provide comments in the next two weeks, paper to be subsequently approved on a written procedure, latest by end May.
- Once approved, the OPSG view should be made known to COM and the European Parliament and the paper should be published on EIOPA website

8. COM Call for Advice on Personal Pensions

Michaela Koller presented OPSG the status of two work streams, which follow the EU COM consultation on the CMU Green Paper (Q13) and the EIOPA work on Personal Pensions.

Regarding the work related to the consultation to the CMU Green paper, she explained the changes made to the consolidated version of the paper and sought guidance as regards to several key aspects.

The overview of comments is synthesized below:

- Aim of the product is to increase the number of people saving for the third part of their life. It should be perceived as an incentive for Member States to offer individuals a LT saving product on a voluntary basis, given that the average of savings is decreasing;
- A PPP definition should be included: need to link the saving nature of the product to the retirement purpose;
- Attractiveness: the product should be easy to understand and flexible enough for embedding surrender and switching provider options (e.g. against market prices), within some limitations;
- Taxation: need to maintain the incentive in the product to avoid people leaving early;
- Prudential regime: the PPP should be standardised and different providers should have a single prudential treatment.
- Conduct of business: should be equivalent to all PPP providers and take into consideration the complexity of the product;
- Further details: it was agreed that product characteristics would be discussed and included in subsequent OPSG Opinions.

As regards to the work on personal pensions, she reported that a number of questions proposed by the work-stream had been submitted to EIOPA and that a telco would be organised to address those topics.

Conclusions:

- OPSG draft response to the EU COM consultation on the CMU Green Paper (Q13) to be finalised within the subgroup and submitted to OPSG for short written approval before the Public Consultation deadline: 13 May.

- On EIOPA work on PPP: Michaela Koller to send a consolidated version of the paper and to organise another conference call with EIOPA, in order to address the subgroup questions.

9. Review of OPSG 2015/2016 work programme

OPSG Chair presented the draft programme which had been circulated and noted that there would be scope to consider further "own initiative work" before the end of the mandate in March 2016. Some of the topics suggested at the meeting were:

- Low interest rates/Quantitative Easing
- Cross-border activity
- Response to initial results of QA/ST (depending on timing).
- EMIR exemption
- Decumulation, following EIOPA Report published earlier in 2015
- Infrastructure for IORPs

EIOPA Chair welcomed the idea to solve the pension funds issues, namely: quantitative easing, regulatory response, the holistic view on data of pension funds, etc. The Director of Regulations added that EIOPA is maturing a work stream on transparency, for which the involvement of the OPSG could be considered before the finalisation of the mandate.

Besides, it was also mentioned that PensionsEurope had just released a paper on quantitative easing, which would be circulated to the Group.

OPSG members suggested replicating the closing event organised by EIOPA after the Quantitative Impact Assessment (QIS) exercise, which would allow for some space for OPSG to contribute and comment on the results.

Members were asked to make other suggestions in advance of the July meeting so that a fuller Work Programme could be circulated. This would enable the Sub-Group mandates to be refreshed and approved at the meeting.

Conclusions:

- SG Mandates to be updated (Solvency; Consumer; Occupational DC)
- Draft work programme to be reviewed and further developed, following discussions in the meeting, for interval July 2015 - end March 2016. Revised document to be approved at the July meeting.

10. AOB

- For the next meeting's agenda, Ellen Nygren suggested the possibility for OPSG members - on a rotation and voluntary basis- to prepare single presentations regarding the market situation in their country.
- Next meetings:
 - 08.07.2015 (welcome at 09.30).
On the agenda: Approval of the Work-Plan 2015-2016 and adoption of the revised subgroup mandates
 - 20.10.2015
 - 01.12.2015 – with EIOPA BoS & IRSG
- **Conclusions:** the Chair thanked Simona Murariu, EIOPA External Relations expert, for her support to the OPSG during the past year and wished her a successful start in the new endeavours.