

Summary of Conclusions

Occupational Pensions Stakeholder Group

Eighth meeting

Date: 8 July 2015

Time: 10:00 – 16:00

Location: EIOPA premises, Frankfurt

Contact: Giulia.Conforti@eiopa.eiopa.eu

List of participants:

OPSG: Philip Shier (Chair OPSG), Matti Leppälä (vice-Chair OPSG), Lukasz Budzynski, Janwillem Bouma, Charlotta Carlberg, Laure Delahousse, Alberto Floreani, Bruno Gabellieri, Fritz Janda, Thomas Keller, Michaela Koller, Niels Kortleve, Pierpaolo Marano, Hristina Mitreva, Marianne Moscoso-Osterkorn, Ellen Nygren, Manuel Peraita, Ján Sebo, Federica Seganti, Marius Serban, Klaus Struwe, Joachim Schwind, Douglas Taylor, Petar Vlaić and Allan Whalley.

EIOPA: Gabriel Bernardino, (Chair - afternoon), Carlos Montalvo (Executive Director - morning), Manuela Zweimueller (Director Regulation), Justin Wray (Head of Policy Unit), Gabriele Arnoldi (External Relations coordinator), Giulia Conforti (External Relations team), Alexandra de Jong (Cross-sectoral and consumer protection unit), Barthold Kuipers and Frederik Vandenweghe (Pensions team) and Dora Iltcheva (Policy Unit).

Absent: Ruth Goldman, Martine Van Peer, Chris Verhaegen and Neil Walsh.

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

The Chair welcomed all participants and made the following remarks:

- In relation to the agenda, he announced that the IRSG Chair, Karel van Hulle, would attend the last item of the day, namely the discussion on the ESAs review.
- He informed that Jung-Duk Lichtenberger, which was recently appointed Deputy Head of Unit Capital Markets, had sent his apologies for not being able to take part in the meeting. The Chair expressed his gratitude for Jung's contributions over the last years.
- The discussion on the date of last OPSG meeting would be agreed after lunch, which was finally kept as initially announced: on 24 February 2016.
- Finally, as suggested by an OPSG member he would have liked to include an agenda item for an OPSG member to present market developments in their country, but due to the large amount of topics to be covered, he suggested bringing forward this initiative at the next meeting in autumn.

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

Conclusions:

- Agenda was adopted
- Summary of Conclusions of 8 May meeting was approved

2. EIOPA update

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

- He summarised the main characteristics of the **EIOPA Work Programme for 2016**: the document is now presented in a new structure, following the alignment with the EU agencies. It contains five strategic objectives and a clear prioritisation of products, services and deliverables. In the field of insurance, he highlighted four key areas: Solvency II implementation, Consumer Protection, Quality cycle of regulation and International developments. In the field of pensions, the focus is on the Occupational Pensions and the Personal Pensions areas.
- He reported the successful feedback from **Joint Consumer Protection Day (CPD)** held on 3 of June 2015, where EIOPA hosted a total of 300 participants, among which 6 OPSG members, in addition to distinguished speakers and panel members, inter alia Commissioner Lord Hill. The programme offered three different sessions covering currently highly topical themes such as conduct risk, the next decade in the financial sector and digitalisation. He concluded announcing the date of next year's CPD: 2 June in Paris.
- He updated members as to the upcoming **Selection Procedure Stakeholder Groups**, following the expiration of the current OPSG mandate at the end of March 2016. He announced that the call for expression of interest (CFI) for the new IRSG/OPSG Groups would be published latest at the beginning of September for a period of 2 months. It is hoped that the new IRSG/OPSG members will be approved at the BoS meeting of January 2016, following which newly appointed members will be contacted. Finally, he confirmed that the new composition will be made public in March.
- As regards to the decisions taken by the EIOPA Board of Supervisors (BoS), he informed about the recently approved **Pensions Transferability Report** (links to the [news](#) and the [Final Report](#)) and the [draft advice on infrastructure](#), which is open for consultation until 09/08.
- Finally, as regards to the **selection/extension process for the EIOPA Chairman and Executive Director**: he summarised the on-going process and reported that Mr. Bernardino has expressed his will to extend, whilst himself has decided to move back to Madrid. At the beginning of the year there will be a hearing of the potential candidates in the European Parliament.

EIOPA update on infrastructure, by Manuela Zweimueller, EIOPA Head of Regulations:

- She welcomed the participation of IRSG and OPSG members in the Roundtable meetings and the feedback provided on calibration and standard formula. Then she identified the three key elements sought after by EIOPA: 1) Definition and criteria of infrastructure; 2) Risk management, especially for mid and small insurers (Solvency II requirements need to be applied) and 3) Proposal for calibration on the spread risk model of the standard formula. She welcomed feedback from the Stakeholders and reminded the audience that a number of Pension Funds would be buying some assets that could be affected.

Roundtable of questions:

- A member asked if the 'employers' will have an own category within the membership of the OPSG to which the Head of Regulations replied that EIOPA needs to obey the Regulation, but that a balance will be sought with 2-3 employers in the IORP category.
- Another member wondered about the possibility of merging into one single supervisory authority, which would de facto lead to fewer Stakeholder Groups, to which the Executive Director replied that a change in the treaty would be needed and that EIOPA is committed to maintain the current Stakeholder Groups structure.

Conclusions:

- OPSG members were invited to submit comments/feedback on the Work Programme to EIOPA.
- Selection Procedure: EIOPA Executive Director encouraged OPSG members to help spreading out the Call for Expression of Interest.
- The terms of the future Chairman and Executive Director of EIOPA will start on first of April.

3. OPSG Chair update and report:

The Chair reported on the recent activity of the OPSG:

- OPSG response to the **European Commission Public consultation on Building a Capital Markets Union (CMU) - Q13** "Would the introduction of a standardised product, or removing the existing obstacles to cross-border access, strengthen the single market in pension provision?" was endorsed on a written procedure and submitted the by the deadline, namely 13 May. He

thanked Michaela Koller and the members of the Personal Pensions work stream for preparing this response in such a short time. It was agreed that the response, which is public, would also be made available on EIOPA website.

- OPSG Position Paper on the **European Commission's proposal for an IORP II Directive** was endorsed in a written procedure by 1st of July. He thanked Matti Leppälä for coordinating the OPSG views and to all members that have contributed to agree on the final text. It was agreed that the paper should be given the appropriate attention and publicity among the EU institutions. Furthermore, it was discussed that the additional amendments brought forward by the Council and the European Parliament would require a second position paper by the OPSG.

- EIOPA work in infrastructure investments:

- Thomas Keller provided an overview of the EIOPA Consultation Paper on the Call for Advice from the European Commission on the identification and calibration of infrastructure investment risk categories. He summarised the recent changes in the paper (combined calibration applied only to a diversified portfolio, revised equity charge applied only to the operational phase of the project) and among the things to improve he mention that, in his view, the approach to calibration would not facilitate the investment on infrastructure aimed by the Commission. The Chair confirmed that OPSG would not submit a separate opinion, but encouraged members to send comments to Thomas.
- Developments on the EMIR exemption: the Chair highlighted the fact that the Delegated Acts were not enforced yet and that this could impact the 2 year exemption of IORPs on EMIR, currently ending on 17 August 2015. He exorted EIOPA to advice NSAs not to apply the legislation until the Delegated Acts would be published.

Conclusions & follow-up:

- EIOPA to publish the OPSG response to the CMU consultation on the website. See [link](#).
- EIOPA to distribute the OPSG opinion on the review of the IORP Directive to the EU legislators (Commission, European Parliament and Council); letters were sent on 21 July.
- OPSG to prepare later in 2015 an additional opinion on the review of the IORP Directive, considering the amendments made by the Council and the EP.
- OPSG will not respond to the consultation on infrastructure, but members are invited to send in their comments/feedback on this topic, to be responded by the IRSG.
- EIOPA provided clarification on the EMIR after the meeting: the European Commission advised on 5 June to extend the exemption for another two years. It is most likely that the temporary exemption will be extended for another two years (until August 2017).

4. 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 a detailed feedback on the OPSG response to the EIOPA consultation on **Further work on Solvency of IORPs** (covering the questions [Q1-Q35](#) and [Q36-Q71](#)), which was submitted earlier this year. Subsequently, he provided an update on the current Quantitative Assessment and Pension Stress Test exercises, launched on 11 May and followed by a public event for participants on 19 May, which was also attended by some OPSG members. The slides can be found on the [OPSG webpage](#). He also invited members to check the EIOPA website for the [Q&A procedure](#). As to the timeline of both exercises, he concluded that a Report on the Stress Test is expected by the end of 2015 and that the Opinion to EU institutions on solvency will be issued in April 2016.

Reactions by the OPSG:

- The discussion was focused as to how the OPSG could contribute to the exercises. 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. It was noted also that due to the finalisation of the current mandate in March, the OPSG input might need to be finalised by the next Group.
- Another concern expressed by the members was the communication around the Stress Test results, also vis-à-vis the National Supervisory Authorities. EIOPA agreed that this is a key factor for which a good balance would be sought.

Conclusion:

- OPSG will aim at providing input to EIOPA before the advice to the Commission is delivered in April.

5. Review of the OPSG 2015/2016 work programme and

6. OPSG subgroups mandates

The Chair informed members that Work Plan will be sent for approval on a written procedure, following updates from the Consumer Protection and DC subgroup mandates.

Doug Taylor, following the discussions held in the Consumer Protection subgroup pre-meeting, presented the outline of the 4 key areas that they agreed to focus on: Governance & Conflict of Interest, Transparency, Advice & Education and Costs & Charges. Some areas could be overlapping with the Occupational DC subgroup, therefore the need to coordinate. In addition, the work on the further review of the IORP Directive proposal by the Council and European Parliament was included in deliverables of the Occupational DC subgroup.

Conclusion & follow-up:

- The [Work Plan 2015/2016](#) together with the Solvency, Occupational DC and Consumer Protection [subgroup mandates](#) were approved in July and have been uploaded on the OPSG page.

7. EIOPA work on Peer Review of IORPs

Dora Iltcheva presented the Peer Review of the Statement of Investment Principles (SIPP) for IORPs, launched on the same day. She invited OPSG member's involvement at an earlier stage of the Peer review, with the aim to collect any experiences, examples, best practices or personal views with regards to the SIPP for IORPs, both for DB and DC. Her slides can be found [here](#).

Reaction by OPSG members:

- An OPSG member explained that in the UK the regulation is more principle based and that this is complemented with a statement on investments implementation. The aim is to have a more long-lasting policy on investments. Another member suggested that the Statement of Investment Principles should not be regarded as a "tick-box" exercise.
 - EIOPA insisted on the value of the experience gathered by OPSG members, as whether this information was valuable and actually used by the IORPs.

Conclusion & follow-up:

- OPSG members were invited to send examples of best practices or their views to EIOPA by end July; EIOPA received Information about SIPPs published by 3 Austrian Pensionfunds: APK, VALIDA and VBV.

8. COM Call for Advice on Personal Pensions

Michaela Koller outlined the latest changes to the EIOPA Consultation Paper on the creation of a standardised Pan-European Personal Pension product (PEPP) issued on 7 July and with a deadline for response **by 5 October**. Subsequently she presented several topics at stake in order to prepare an OPSG opinion (see link to the [slides](#)). A discussion on the procedural aspects of the paper was also held.

She described the characteristics of PEPP: a neutral product offered by all financial assets providers, with some harmonised features in all member states (investment, conduct of business, etc.), but also with some country specific features. The design of this saving product focus on the accumulation phase, as the decumulation phase would follow national rules. Its distribution would not require advice, but would be offered as an option. There would be limited number of investment options, with a default one. The pre-contractual information could take elements from PRIPS.

The overview of comments is synthetized below:

- Would this be a cross-sectoral product? EIOPA confirmed that this could be offered by financial providers such as insurers, banks, IORPs, etc.
- A member questioned the viability of such a product and wondered if market research/business model was developed. And a consumer voice also asked what the competitive advantage would this product offer and even if the decumulation was not the focus, members states should be able

to agree on potential benefits for consumers. EIOPA replied that to explore the “appeal” of this product a consumer testing element could be embedded at a later stage.

- Some members mentioned the issue of the competition across the member states: some countries already offer EU passport investment products, whilst others with no II pillar market could benefit from it. EIOPA insisted on the ‘retirement-savings’ nature vs. that of pure investment products. The duration is the difference and this should be reflected in the transparency and provision of information, so that it would create a standard-setter for other products.
- A member also highlighted the importance of distribution, especially in well-established markets. EIOPA response was that distribution of PEPP should not be regarded as a “light touch”, but that in any case this comes as a trade-off: simplicity & cheaper vs. need for advice & higher costs.
- Other aspects regarding life-cycling, guarantees, prudential treatment and conduct of business were also touched upon.

Conclusions/actions:

- Michaela agreed to summarise the areas to be covered by members of the work-stream and to jointly prepare a draft response for submission to the Group;
- It was agreed to explore the possibility to have a joint opinion with the IRSG, without compromising the timely response to the consultation by the OPSG.

9. OPSG Solvency subgroup work on Quantitative Easing

Niels Kortleve presented the first ideas on the issue of low interest rate environment and the quantitative easing and requested feedback from members (see link to the [slides](#)). A discussion on the topic was held.

Reaction by OPSG members and EIOPA:

- A member raised the fact that the issues faced by IORPs were similar to those faced by insurance companies. Thus, it was suggested liaising with the IRSG.
- As regards to DB cross-border schemes the “full funded requirement at all times” was found disproportionate and unrelated to the discount rate in the market.
- EIOPA view was that the “old” interest rates will no longer come and that market participants should get used to the “new normal” rates, with impact on the sustainability of promises; at the same time this could bring a positive effect at mid-long term.

Conclusions:

- The Solvency subgroup will write draft position paper to be distributed for feedback to OPSG in the late summer;
- It was agreed to deliver a final position paper on QE in October meeting;
- It was also proposed to table the paper for discussion at the joint IRSG-BoS meeting in December.

10. EIOPA work on cross-border IORPs

Frederik Vandenweghe presented the main conclusions of the EIOPA Report, which has been evolving in content and format over the last years (see link to the [presentation](#)).

Reaction by OPSG members and EIOPA:

- A member congratulated EIOPA for the work done in the Report, which, compared to the first edition 9 years ago, has considerably improved, adding more information on data of cross-border schemes, providing a new split in DB/DC and funding information.
- The same voice raised his concern about the IORP I failure to facilitate cross-border schemes. It is known that half of the IORPs listed in the report are UK and IE based, which were in place before the directive came into force. A large number of the 140.000 schemes are one single person and therefore would not operate cross-border. In his view, the biggest cross-border impediment was the full-funding requirement at all times.
- EIOPA’s view was that the lack of cross-border schemes is due to political reasons and the interpretation of Social Security Law by member states. It was suggested that OPSG could look into ways for overcoming this situation.

Conclusion:

- Lukasz Budzysynski agreed to prepare a draft position paper on cross border pensions to be tabled at the October meeting.

11. EIOPA work on report on tools and channels for communicating to occupational pension scheme members

Alexandra de Jong introduced the work EIOPA is carrying out on the tools and channels for communication to OP scheme members (see link to here [presentation](#)).

Comments:

- A member suggested embracing the discussion on content, in particular on whether the information exchanged would entail references to pillar I. Another member wondered if the intermediaries would play a role in the communication.
- Members were of the view that EU initiative on a tracking system was a very good tool and that it should comprise information from all three pillars to be able to offer a full picture to consumers.
- The following national practices were mentioned: "Pensions 1,2,3" from the Netherlands and the "orange envelopes" from Sweden.
- EIOPA assured that it was intended to cover both aspects, namely the "what" and the "how" and invited OPSG to contribute to the identification of good practices.

Conclusion:

- OPSG members are encouraged to send input to EIOPA by end of July.

12. Consideration of joint OPSG-IRSG opinion to the ESFS Review

The Chair welcomed Karel van Hulle, Chair of the IRSG. Karel presented the views gathered within the IRSG and proposed to extend the discussion to the joint OPSG-IRSG-BoS meeting in December. A discussion followed on the impact of the work of the Stakeholder Groups and the lessons learnt from the experience gained by the Groups in the past years.

Comments:

- A member view was to be more proactive as a Group: to get high-level messages out to Stakeholders, the European Commission and the Parliament. The Group should not focus into the details, if a helicopter view was to be transmitted.
- EIOPA referred to the Article 37 of its regulation and the fact that the main task of the Stakeholders is to provide an opinion to EIOPA (and not beyond). Nevertheless, EIOPA favoured ways to explore new opportunities to make better use of the Stakeholder Groups.
- The issue of the lack of transparency was also mentioned. Karel favoured the contact of third parties to the Stakeholder Groups via the general e-mail address available on the website.
- The Chair noted that bringing this topic to the joint meeting would allow OPSG successors to draw from previous experience and hit the ground running. It was highlighted that the Review of the ESAs will only be dealt at a later stage and that the upcoming Stakeholder Groups selection was already planned for autumn.

Conclusion:

- OPSG members agreed that this topic should be included in the joint meeting, probably in the form of a break-out session.

13. AOB

- Frederik Vandenweghe announced that the EIOPA Annual Occupational Pension Seminar would take place on 21 October and that the programme was being finalised. OPSG members interested in participating as speakers were invited to get in touch with him.
- Members eligible for reimbursements were reminded that the deadline for submission of expenses claims is limited to maximum 30 days after each meeting. Later submissions are no longer guaranteed.
- Next meetings: 20.10.2015; 01.12.2015 – with EIOPA BoS & IRSG; last meeting on 24 February 2016 (confirmed).