

## Summary of Conclusions

### Occupational Pensions Stakeholder Group

#### Ninth meeting

---

Date: 20 October 2015

Time: 10:00 – 16:00

Location: EIOPA premises, Frankfurt

Contact: [Giulia.Conforti@eiopa.eiopa.eu](mailto:Giulia.Conforti@eiopa.eiopa.eu)

---

#### List of participants:

OPSG: Philip Shier (Chair OPSG), Lukasz Budzynski, Janwillem Bouma, Charlotta Carlberg, Laure Delahousse, Alberto Floreani, Bruno Gabellieri, Ruth Goldman, Thomas Keller, Michaela Koller, Niels Kortleve, Hristina Mitreva, Marianne Moscoso-Osterkorn, Ellen Nygren, Manuel Peraita, Guillaume Prache, Ján Šebo, Federica Seganti, Marius Serban, Klaus Struwe, Douglas Taylor, Martine Van Peer, Chris Verhaegen, Petar Vlaić and Allan Whalley.

EIOPA: Gabriel Bernardino, (Chair - morning), Carlos Montalvo (Executive Director - afternoon), Sandrine Lemery (EIOPA Management Board member), Manuela Zweimueller (Director Regulation), Justin Wray (Head of Policy Unit), Gabriele Arnoldi (External Relations coordinator), Giulia Conforti (External Relations team), Daniel Perez (Financial Stability), Adrien O'Brian (Cross-sectoral and consumer protection unit), Sandra Hack (Pensions coordinator), Barthold Kuipers and Frederik Vandenweghe (Pensions team).

European Commission -via telco: Yann Germaine, Policy Officer, Insurance and pensions unit, DG FISMA.

Absent: Matti Leppälä, Fritz Janda, Pierpaolo Marano, Joachim Schwind and Neil Walsh.

---

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

The Chair welcomed all participants, in particular Sandrine Lemery (Management Board Member) and Yann Germaine (COM), who would deliver his update via telephone conference.

OPSG Chair requested group's approval for meeting agenda, with a new item requested by Guillaume Prache for introducing the research paper on "Pension Savings: The Real Return" (issued by Better Finance) and the proposal to move the decumulation item to the February meeting, given the absence of its topic owner, Matti Leppälä, who had sent his excuses for not being able to attend the meeting.

Subsequently he requested the approval of the minutes from the July meeting.

#### Conclusions:

- Agenda was adopted, with the proposed new item for discussion after lunch
- Summary of Conclusions of 8 July meeting was approved
- Item on decumulation is moved to the meeting in February

### 2. Updates

*COM Update by Yann Germaine:*

- **On IORP II:** Mr. Germaine reported that the Commission is currently engaged with the ECON Committee (European Parliament) and the rapporteur Brian Hayes. Following the last meeting held on 20 October the following substantial amendments were discussed: governance, transparency, cross-border activities and long term investment. The changes being proposed are to move in the direction of principles based approach: more proportionality on governance, fit & proper requirements to be fulfilled collectively (and not individually), long-term project to align with the CMU plan and full funding requirement at the moment of the establishment of the cross-border activity (and not throughout), etc. He concluded that the ECON vote on the European Parliament proposal on IORPII is expected the 1st week of December and that the dialogue negotiation is expected to begin under the Dutch Presidency next year.
- **On PEPP:** he explained that the Commission is expecting the 2nd technical advice on the potential 29th regime by EIOPA, following the recent public consultation on PEPP. He concluded that the EIOPA advice, in conjunction with further discussions in the course of next year, will feed into the Commission recommendation to be issued in the form of a White Paper by the end of 2016.

*EIOPA general update, by Gabriel Bernardino, EIOPA Chairman:*

- **On the EIOPA Work Programme 2016, pensions elements:** EIOPA Chairman highlighted the work on PEPP, the initiative opinion on solvency issues, the good practices in information to members, the Pensions Stress Test and the peer review on the Statement of Investment Principles (SIPP) for IORPs and the Call for the Stakeholder Groups renewal.
- **On EIOPA Budget:** EIOPA Chairman welcomed the supportive opinion by ECON and BUDG towards EIOPA's budgetary needs, increasing the amounts proposed by COM and Council to levels aligned with the underlying work ahead. The final decision by the Budgetary Authority is expected in November.
- **On governance:** EIOPA Chairman expressed his gratitude towards the EIOPA Board of Supervisors, which unanimously confirmed his continuation as EIOPA Chairman; the next step in the process is, he conveyed, the European Parliament Hearing on 17 November. Besides, he informed about the on-going Executive Director selection procedure, which vacancy was published in the Official Journal of the Commission and that it remains open until end of October.

*Outlook on Pensions, Sandrine Lemery, Management Board member:*

Ms. Lemery introduced the highlights of EIOPA's work in the area of pensions in the year to come. She referred to the **Pensions Stress Test**, the first carried at EU level and which results expected in December; then to the **Advice on personal pensions**, which will follow in the first quarter of 2016, with the aim to overcome the pensions gap of European citizens whilst setting a cornerstone for the Capital Markets Union. She announced that in April EIOPA will publish the own initiative **opinion to the European Institutions on IORP solvency**, introducing the Holistic Balance Sheet as a powerful tool for risk management and for promoting necessary and relevant transparency. For later in 2016, she concluded that EIOPA will issue the annual **market development report for pensions**, with more quantitative assessment, factual evidence and trends analyses, which are possible thanks to the EIOPA database for pension plans and products.

#### **Roundtable of questions:**

- As regards the IORP II amendments, it was questioned the approach to the investments in non-regulated markets. Mr. Germaine explained that the discussion is not to allow member states to ban them, but to restrict them (e.g. no more than 10% in equities) and, in general, how much power should be given to supervisors.
- An OPSG member questioned the harmonisation of the Key Information Document (KID) for IORPs and for the PEPP and reminded that the CMU action plan aims to have transparency in retail and pension products. Mr. Germaine admitted that the Council amendments were introducing proportionality also in the analysis of costs, which

differed from the Commission initial proposal. He concluded that this would be further discussed in the trialogue.

- Other OPSG members also expressed their concern on leaving the transparency measures up to the member states discretion.
- A member asked how was the debate on the funding of the ESAs. EIOPA Chairman explained that Commission is still analysing different ways, including the funding with industry fees, but that there is no information as to the project timeline.
- **On-going Selection Procedure Stakeholder Groups:** DL for applications is 15 November (it was postponed ex-post by one week); members eligible for nomination were asked to consider if they wanted to stand again and all were invited to ensure that they brought the Call to the attention of any colleagues who might be interested.

### **3. OPSG Chair update and report:**

The Chair reported on the recent activity of the OPSG, such as the preparatory work for this meeting and, in particular, the response developed ahead of the Consultation on PEPP. Then he invited Thomas Keller to give a brief update on Infrastructure:

#### **EIOPA work in infrastructure investments:**

- Thomas Keller praised the work EIOPA has done in this consultation, especially when listening to the views and ideas from stakeholders. As regards to the final advice provided to the Commission, he commented that several objectives on the identification and definition of infrastructure investment risk categories were achieved. However, in his view, there is still room for improvement on the approach to calibration.
- EIOPA Chairman stressed that if insurers have LT liabilities, they should pair them with LT investments, unless they want to be penalised in the matching. In the current situation, the same approach does not apply to IORPs. He encouraged OPSG to have a discussion on that.

### **Conclusion:**

- On infrastructure investment, OPSG showed appreciation for EIOPA involvement of different stakeholders and the final product, with some recommendations for improvement.

### **4. EIOPA Quantitative assessment of further work on solvency and pensions stress test**

#### *On the Pensions Stress Test*

Presentation was delivered by Daniel Perez, Principal expert on Financial Stability, as regards to the pension's stress test processes around data and exercise coverage. The slides are available [here](#).

#### *On the Quantitative Assessment exercise:*

Presentation was delivered by Barthold Kuipers, Principal expert on Pensions. He referred to the timeline and coverage of the exercise. He noted that the Opinion to EU institutions on solvency of IORPs will be finalised in April 2016. His slides are also available [here](#).

### **Reactions by the OPSG:**

- It was asked who processed the data. Daniel responded that only supervisors, with prior signature of a confidentiality agreement and working on a secure room, had access to the data.
- Again, the issue on how to involve the OPSG in the ST was raised.

- Two members raised the question on whether Social Security systems and cross-border pension schemes were part of the exercise, to which Daniel replied that none of them were part of the design of the exercise.
- As to the publication of results, Daniel informed that a sanitised Report will be published, with aggregate results – no disclosure of individual IORPs.
- The fact that due to the finalisation of the current mandate in March, the OPSG input to the QA exercise might need to be finalised by the next Group was discussed. Members suggested ideas and ways on how to transfer the knowledge of the current Group members to the next one.

### **Conclusions:**

- It was agreed that the Solvency subgroup would meet/have a call with EIOPA expert in the course of January and prepare a draft feedback on the Stress Test for approval at the February meeting.
- It was proposed that the Chair and Vice-Chair would inform the new OPSG on the Group views regarding the Quantitative Assessment exercise.

## **5. EIOPA Market development report - evolution in the number of cross-border Institutions for Occupational Retirement Provision (IORP)**

Lukasz Budzynski introduced the draft OPSG position paper on the topic, which focus was to provide feedback to the EIOPA reports issued until now. He praised the improvements as regards to increased pool of cross-border IORPs data analysed in the reports over the years. He made a few suggestions on how to further improve the report, such as the inclusion of the distinction between domestic/ cross-border “legacy schemes”, to get a better picture of how many were labelled cross-border by default.

### **Comments:**

- OPSG members supported the work prepared by Lukasz and made some remarks as regards to:
  - A disclaimer should be added that book reserve pension arrangements are not be part of the report;
  - Conclusions should include that fully funding (at all times) is just one of the obstacles;
- A member highlighted that going cross-border is lacking attractiveness to companies and that many opted for it as a “defensive” measure, whilst not trusting the IORPs based abroad.
- Also it was observed that there is a consolidation trend for DC plans and that setting up a cross-border scheme is a way of doing it.
- Then the discussion moved into the implications of the CMU action plan, favouring the development of a personal pensions framework by the European Commission, instead of improving the landscape for pillars I and II and in particular, favouring pillar II as complementary pensions solution. EIOPA Chairman was the view that the initiative is from the Commission side and that EIOPA has not expressed any preference for a type of pension provision.
- Other members suggested that OPSG, in the interests of consumer protection, should be against transparency requirements being left to the prerogative of Member States.
- It was also suggested that a minimum standardisation of KID is needed.

### **Conclusions:**

- It was agreed not to include the section on the changes in the Directive (last paragraph of the paper) as this issue would be covered in the OPSG updated comments on the Directive.
- Lukasz was invited to revise the paper, before submission for written approval by the end of the year.

## **6. OPSG reaction to the Revision of the IORP II Directive - Review of Council and Parliament positions**

Philip Shier presented the slides prepared by Matti Leppälä on the IORP II legislative process: Comparison of institutions' input. He highlighted the main changes proposed by the Council and the European Parliament, some of which were softening the initial Commission proposal. The slides are available [here](#).

Then, Philip brought on the screen the OPSG position paper on the European Commission proposal for an IORP II Directive and proposed to look into the areas where Council and EP changes were either aligned or contrary the OPSG views. The aim he proposed was to present a final position paper before the triologue negotiations would start, namely the first week of December.

### **Reactions by the OPSG:**

- On cross-border funding requirement (at all times): a positive view on the full requirement at the establishment of the scheme was shared. Besides, it was commented, that not all members were needed to agree on such a decision, instead a majority should be sufficient and that members would also be protected by recovery plans. Other members were the view that certain flexibility should be embedded and that supervisors should have the last say.
- On fit & proper: it was commented that the Council review to consider the Board fit at collective level, with no requirement on professional qualification, was going in the good direction.
- On Information requirements in the Pension Benefit Statement (PBS): ECON had deleted most of the detail on this, causing discontent from a beneficiary point of view.
- A member commented that harmonisation would need to take into consideration the different national specificities – such as decumulation system in the UK.

### **Conclusion & follow-up:**

- It was agreed that Philip would prepare an overview page with the updated comments regarding the ECON draft based on the discussion;
- The comments on the Pension Benefit Statement will be drafted by Guillaume and Jan.
- The document would be circulated for comment/approval in November.

## **7. Better Finance: "Pension Savings: The Real Return 2015"**

This report, which was shared with the Group ahead of the meeting, was presented by Guillaume Prache, Managing Director of Better Finance. Also Ján Šebo and Klaus Struwe had contributed to the research report.

### **Reaction:**

- OPSG members showed appreciation for the transparency that the research paper brings in and, in particular, commented on the data presented in tables on the Annualised real net returns of pension savings (%) by countries.

## **8. Work on European Market Infrastructure Regulation (EMIR)**

The topic was covered from two different angles. First, Sandra Hack, presented the EIOPA procedure on handling requests for temporary exemption from clearing obligation in the upcoming Regulatory Technical Standards (RTS). Her slides are available [here](#). Then Niels Kortleve, following prior distribution of a revised note on the "European Market Infrastructure Regulation (EMIR): current status on IORP's exemption of central clearing", tabled the discussion on the extension of the period of exemption for IORPs on EMIR, granted by the European Commission

in September 2015, and valid until September 2017.

### **Conclusion:**

- OPSG encouraged EIOPA to provide regular update on market developments with respect to the implementation of EMIR and the clearing obligation for the IORPs, in view to find a solution before the current exemption expires in 2017.

## **9. EIOPA feedback to the OPSG response to consultation on PEPP**

At first, Michaela Koller thanked the members of the OPSG personal pensions work stream for their support in preparing the OPSG response to the consultation on PEPP. Then, in her slides comparing the OPSG and IRSG responses, she highlighted the points in common and the areas with differing views. The slides are available [here](#).

Further, Adrian O'Brian, presented a preliminary feedback on the responses received during the PEPP consultation. His slides are available [here](#).

Finally, Manuela Zweimueller indicated that EIOPA is finalising its advice on personal pensions to the European Commission (due by 1 February 2016) and that to this aim EIOPA would benefit from the OPSG input to a qualitative questionnaire designed to collect further data on several aspects, including obstacles to cross-border PPP schemes and the feasibility of such product. She concluded that the topic would be also addressed in a break-out session during the next Joint BoS-IRSG and OPSG meeting on 1<sup>st</sup> December.

### **Main concerns were expressed by OPSG members:**

- On the return expectations of such a product;
- On the mis-selling potential or the risk of consumer choosing an unsuitable investment option.
- On the distribution: if the product is simple then a simple distribution is adequate; whereas if it is a complex product, then advice might be necessary.
- On the right balance between the switching possibility and long-term investment.

### **Conclusions:**

- EIOPA to involve OPSG in a qualitative questionnaire aimed to gather data in response to the call for advice on a single market for personal pension products. The questionnaire will be sent simultaneously to OPSG and IRSG for responses by 20 November.
- This topic will be included in the break-out sessions at the joint meeting in December.

## **10. OPSG own initiative work on Consumer protection**

Doug Taylor explained that the paper on cost and charges is currently at subgroup level and will be shared with the Group at a later stage. Then he invited the topic owners to briefly present their papers:

- Ruth Goldman gave a brief presentation on **Governance and conflict of interest**,
- Charlotta Carlberg summarised the findings of the note on **Advice and education** and
- Klaus Struwe drew conclusions from its note on **Information/terminology and transparency**.

### **Comments:**

- A member pointed out that the opinion on Governance will impact IORPII and that OPSG views should have the same level of granularity;
- On the cost of education, a member made reference to the behavioural economics (Max Report), which prove the small interest showed by consumers in some areas.

## **Conclusion:**

- It was agreed that the papers presented would be adopted as OPSG Position Papers, following a written submission. Topic owners were invited to revise the papers to reflect the discussion.

## **11. OPSG position paper on Quantitative Easing**

Niels Kortleve presented the revised draft OPSG position paper, following the comments gathered after the July meeting.

### **Reactions:**

- Several members highlighted the current paradox: low interest environment that is negatively affecting both the life insurance business and the occupational pensions sector, whilst EIOPA runs exercises on Quantitative Assessment and Stress Test.
- EIOPA ED agreed that the sectors are indeed paying a high price, but also warned that there will be "low for long" and that businesses need to adapt to the situation; he also commented that the effect of QE in Europe is not higher because of market value. Then concluded that the "relaxation" approach from supervisors would not solve the issues.
- It was commented that the position paper should focus on possible solutions.

### **Conclusion:**

- Niels will revise the document to reflect the comments received and send a revised version for a written approval.
- The Chair encouraged liaising with IRSG to identify their views and whether this could be a topic for the Joint meeting.

## **12. AoB**

- **End of Mandate Report** (background info: OPSG Activity Report 2011-2013). It was commented that the end of mandate report should be prepared in a way to pave the way for the next OPSG, in a sort of 'handover'. The Chair anticipated that subgroup leaders/topic owners will be asked to contribute with texts for the Report.

### **Next meetings:**

- It was announced that the joint meeting will be held in the Meridien Parkhotel Frankfurt (11:00-18:00) and it will be followed by a dinner with members from EIOPA BoS & IRSG.
- After the meeting, it was confirmed that a short meeting will be held, prior to the joint one (09:00-10:30)
- Final meeting – 24 February 2016. Following preferences expressed by members, a farewell event will be organised on the evening before 23/02/16.