

Summary of Conclusions

Occupational Pensions Stakeholder Group (OPSG)

Fifth meeting

Date: 28 February 2017

Time: 10:00 – 16:00

Location: EIOPA premises

Contact: florian.ouillades@eiopa.europa.eu

List of participants:

OPSG: Matti Leppälä (Chair), Bernard Delbecque (Vice-Chair), Alf Alviniussen, Tomas Bern, Janwillem Bouma, Francesco Briganti, Lukasz Budzynski, Charlotta Carlberg, Alexandru Ciuncan, Paul Cox, Laure Delahousse, Senka Fekeža Klemen, Zdeněk Hustak, Paul Kelly, Michaela Koller, Damien Lagau, Sonia Maffei, Raimond Maurer, Claudia Menne, Stefan Nellshen, Kevin O'Boyle, John O'Quigley, Guillaume Prache, Ján Šebo, Falco Valkenburg and Fieke van der Lecq.

Not present: Paul Brice, Giuseppe Corvino, Marianne Moscoso Osterkorn, Philip Neyt.

EIOPA: Fausto Parente (Executive Director), Susanne Rosenbaum (Head of Corporate Affairs), Justin Wray (Vice Head of Policy Department), Sandra Hack (Team Leader Pensions Team), Pedro Pires (Consumer Protection Department), Carine Pilot-Osborn (Policy Department), Giulia Conforti (Policy Department), Barthold Kuipers (Policy Department), Daniel Perez (Risk and Financial Stability Department) Florian Ouillades (Corporate Affairs Department).

European Commission (EC, DG FISMA) : Yann Germaine (via telco)

1. Approval of the agenda

The Chair welcomed participants to the fifth meeting of the OPSG.

Conclusion/Action:

- The agenda was approved.

2. Update by OPSG Chair

The OPSG Chair highlighted the main conclusions and outstanding actions from the two last meetings on 4 October 2016 and 28 November 2016. He positively mentioned the meeting setup of the Joint Stakeholder groups meeting in November.

Conclusion/Action:

- EIOPA Secretariat to resend request for members' input to OPSG response to ESAs consultation on "Big Data" with extended deadline of 2 March 2017.
- Chair to add following topics on the draft agenda of the next meeting on 26 April 2017 (all topics were discussed and agreed):
 - IORP Stress Test

- IORP II implementation
- Pan-EU DC scheme
- Review of the ESFS
- Consumer Protection: OPSG Distribution Working Party, Transparency Working Party
- Data exchange with the European Central Bank - ECB (Occupational pension funds' direct reporting obligation to ECB)
- Financial Stability report
- EIOPA to clarify the project timeline and specify future involvement of OPSG Occupational Pensions subgroup members dealing with the Budapest Protocol (cross-border authorisation process).

3. Update by EIOPA Executive Director

The Executive Director (ED) of EIOPA provided the OPSG with a short update on the work recently delivered/initiated by EIOPA in the field of pensions and other important developments:

Market development report

The publication of the 2016 market development report is imminent. It has been postponed due to data quality checks.

Bulgaria Balance sheet review

An independent assessment was carried out and overseen by a Steering Committee (SC) composed of representatives of the Bulgarian Financial Supervision Commission, EIOPA, the European Commission, the Ministry of Finance of the Republic of Bulgaria, the Bulgarian National Bank and European Securities and Markets Authority (ESMA). It included all mandatory and voluntary pension funds in Bulgaria. It is an important milestone in achieving greater transparency and enhancing the trust of consumers. This thorough review published on 03 February 2017 comprised an assessment of risks not fully captured by the legal framework, which led to SC's recommendation of expanding the related parties' definitions in the current law. The independent assessment included all mandatory and voluntary pension funds in Bulgaria.

Consultation Paper on Big Data

ED stressed that EIOPA welcomes input from OPSG to the consultation. OPSG Chair confirmed that OPSG identified a topic lead to coordinate and submit the "Opinion about Big Data and pensions". However, drafting a joint IRSG/OPSG response would be unlikely given the tight deadline given for feedback.

EIOPA's Executive Director also thanked OPSG for the work they recently delivered and added specific feedback on:

OPSG Feedback Statement about the EIOPA Report on Good Practices on Communication Tools and Channels for communicating to occupational pension scheme members good practices report

He referred to a specific statement in the document: OPSG has indicated that they share EIOPA's view that sponsoring employers should not be in the scope of the report. He clarified on this point EIOPA's position because Good practices are aimed at *all* relevant parties, including employers – this being clearly pointed out in EIOPA's report. The inclusion derives from the nature of Good Practices: neither legally binding, nor subject to a "comply or explain" mechanism.

OPSG Position Paper on Risk Assessment and Transparency for IORPs

The considerable amount of time and effort necessary to draft this Position Paper was greatly appreciated.

Conclusion/Action:

- None

4. Update by the European Commission (COM)

European Commission provided a short update about the main deliverables by the European Commission in the field of pensions:

Pan-European Personal Pension product (PEPP)

COM is currently shaping the project, striving to strike a balance between consumer protection and a good uptake at EU level of the PEPP product. COM thanked stakeholders for their input and stressed that COM aims to get the parameters of the PEPP right while facilitating at the same time discussions with the Council, the European Parliament and national expert groups.

Timeline: PEPP is scheduled for 2017 in COM's Annual Programme. Adoption is expected for the summer 2017, after a review of the Capital Markets Union due in June. An Impact Assessment will be presented to COM's scrutiny board by May. In parallel, an external consultancy is currently mapping national tax requirements. The consultant's report is due by April 2017.

COM representative gave more details, at a member's request, on the work conducted on tax issues. He clarified COM's position i.e. tax neutrality for the PEPP. COM envisages implementation of the PEPP product by a regulation without changes to national tax rules.

Other issues such as the default option, the disclosure of information, and the distribution rules (existing EU rules vs. a "stand-alone" option) for the PEPP were briefly discussed.

Conclusion/Action:

- None

5. OPSG Position paper on Transparency for IORPs

Falco Valkenburg summarised (link to presentation [here](#)) OPSG's Position Paper on EIOPA's Opinion to EU Institutions on a Common Framework for Risk Assessment and Transparency for IORPs which was published on 13 January 2017. He explained that OPSG agreed with EIOPA on the need for sound risk assessment and transparency. However, to enhance risk assessment, a valuation approach is not the first thing that comes to mind. Cash-flow analysis preserves the rich information that is lost in balance sheet evaluations and avoids discussions on discount rates. Cash-flow analysis can be used to inform members and beneficiaries of both Defined Benefits (DB) and Defined Contribution (DC) on total risk.

EIOPA Executive Director thanked OPSG for producing a constructive and positive position paper. Cash-flow analysis has added value in assessing risks in occupational pension schemes and will be already included in this year's pensions stress test. However, the cash-flow analysis should supplement common valuations, since it is important for EIOPA to dispose of *comparable* balance sheet data of IORPs in Europe.

EIOPA staff further elaborated that the DB/hybrid module of the 2017 IORPs stress test contains a rudimentary cash-flow analysis, focussing on current assets and unconditional benefits. EIOPA takes a step-by-step approach and a more elaborate cash-flow data collection, including sponsor support and benefit reductions, can be considered for future exercises. The DC-part of the stress test will again consider the impact on DC members' future retirement income.

Some OPSG members put forward that common balance sheet valuations also provide interesting insights, although outcomes related to sponsors should be used carefully. Other OPSG members emphasised that the position paper already contains a proposal to summarise the results of the cash-flow analysis, i.e. the probability that pension promises cannot be fulfilled. In their view, an accurate balance sheet valuation also requires a projection of investment returns. Understanding was expressed for EIOPA's need for comparable balance sheet data, but it was questioned whether such information was meaningful given the substantial differences in national Institutions for Occupational Retirement Provision (IORP) systems. Finally, there was concern that EIOPA's intention – to request both common balance sheet as well as cash-flow information in stress tests – would be too burdensome for IORPs.

Conclusion/Action:

- OPSG to follow and contribute to EIOPA's present and future work on cash-flows.

6. IORP Stress Test 2017

Expert in the Policy Department presented (link to presentation [here](#)) the main characteristics of the 2017 IORPs Stress Test, which is comparable in scope to the 2015 exercise. The aim is still the same: to assess the resilience of Occupational Pension Funds to adverse scenarios, but with an increased focus on the potential impact at sponsors level and on the second round effects in the real economy. In contrast with the previous exercise the number of scenarios is significantly reduced in order to design a practical and proportionate exercise, minimising burden and encouraging participation.

The technical specifications for the 2017 exercise will contain further details on the methodologies and the requirements. The first draft will be shared informally in the first half of April 2017 after the first round of approval at Board of Supervisors (BoS) level with:

- participating IORPs, through the National Competent Authorities to allow for early preparation.
- the same three selected stakeholders associations as in 2015.
- the OPSG for informal consultation for 2 weeks.

EIOPA expert announced that publication is planned for mid-May, following the BoS approval of the revised package after the informal consultation.

Views of OPSG members were requested after the presentation on EIOPA's intention to increase the weight on analysing the effects on the real economy and financial stability, as well as suggestions for analysing that impact – in particular – on sponsoring companies. OPSG IORP Stress Tests topic Lead confirmed that his Work Stream (WS) would provide concrete answers to the questions posed to the OPSG. However, it will do so during the informal consultation phase.

One member requested further explanations on the macroeconomic model to be used to analyse the second round effects and the potential impacts in the real economy. To answer this request EIOPA staff explained that EIOPA will make only the first step in this analysis. ESRB and/or ECB are more likely to follow up on this analysis in view of their previous work. Currently EIOPA, in line with its regulation, is cooperating with ESRB in developing the adverse scenario. However, no individual results are disclosed to the ECB or ESRB in this cooperation. One member expressed support for the analysis of the unconditional cash flows as a good starting point to communicate potential funding problems in the occupational pensions system, and to discuss alternative ways to solve these issues over time.

Conclusion/Action:

- EIOPA to inform OPSG about exact circulation date (beginning of April) for Technical Specifications.
- OPSG Stress Test Work Stream to set up a telco, as soon as the date of the informal consultation is known, in order to organise a timely feedback.

7. Consumer protection

7.1. Automated advice

Charlotta Carlberg gave a brief overview (link to presentation [here](#)) of the OPSG's reply to the Joint Committee (JC) consultation paper on automation in financial advice and the JC report on the same topic, published in December 2016. Charlotta asked for support in the group to work on a reply to the report. OPSG members supported the initiative. It was agreed that the OPSG reply could be finalised in the second quarter of this year and volunteers were welcome to join Charlotta in her work.

Conclusion/Action:

- EIOPA Secretariat to send call for interest to join Work Stream (WS) on automated advice and Financial Literacy (Lead: Charlotta Carlberg).
- Charlotta to coordinate input of WS and send to EIOPA Secretariat by May 2017 draft OPSG feedback statement to EIOPA's report on automated advice and Financial Literacy.
- OPSG to approve feedback statement by June 2017.

7.2. Consumer Trends Report

Expert in the Consumer Protection Department gave OPSG a presentation (link to presentation [here](#)) on the key features and findings of EIOPA's fifth consumer trends report, such as e.g. the shift from DB to DC or the influence of robot-advice. EIOPA also presented the questionnaire sent to OPSG to gather input for the 6th report. One member commented on 3 trends seen in the market: aggregation of all pension entitlements (3 pillars), risking and derisking in life-cycle funds, and links between solvency requirements and the shift to products with low or no guarantees.

Conclusion/Action:

- OPSG to provide input to EIOPA 6th consumer trends report by 30 April 2017.

7.3. Better Finance's research on the real returns of long term and pension savings in Europe

Guillaume Prache presented Better Finance's 2016 report (link to presentation [here](#)) on the real return of pension savings. As introductory remarks, he highlighted that (i) the major difficulty of such studies is to obtain fully reliable and comparable data citing the OECD study as an example and (ii) the ESAs, although they are expected to report on this, either do not do it (e.g. EIOPA) or do it not accurately (e.g. ESMA uses references that do not reflect actual savers' portfolios). Examples of specific countries and products were used to show that real returns are low or negative in some cases. Costs and commissions were indicated as one of the key drivers for this trend. Reactions from OPSG members were mixed: praising the report but highlighting some of its limitations, also agreed to by the presenter who pointed at the existence of difficulties specific to the pensions sector. EIOPA's ED expressed support for the study and welcomed further collaboration in this area, also indicating that EIOPA will be pursuing work in this area.

Conclusion/Action:

- Guillaume Prache to present at 26/04 meeting scope of OPSG document in the Work Plan: Feedback Statement on performance, costs and fees
- EIOPA Secretariat to send call for interest to join Working Party on Performance, costs and fees (Lead: Guillaume Prache)

7.4. Auto-enrolment

Paul Cox presented a summary (link to presentation [here](#)) of evidence so far on auto-enrolment reforms in the UK, highlighting key policy strengths and remaining issues. Whilst opt-out remained low so far, 50% do not regularly (monthly) contribute to their pensions. Although the pensions industry demonstrated an ability to promptly react to intensified competition, there has also been a shortage/lack of innovation and impetus to achieve better societal outcomes.

Conclusion/Action:

- Members to send relevant national experiences on auto-enrolment to Paul Cox

- Paul Cox to send to EIOPA Secretariat by 10 March draft paper for 1st step of written procedure: comments by OPSG

8. Pan-EU Occupational Defined Contribution

Francesco Briganti presented the Work Stream's initial views on the creation of a pan-European occupational DC framework. Welcoming the initiative, one member highlighted that a sector-level solution at European level could not only contribute to the development of European sectors and industries, but could also ease collective bargaining negotiations in the context of cross-border Merger & Acquisition cases. Members discussed the importance of having safeguards to protect scheme members and considerations on how the framework would interact with national occupational pension systems without hindering the latter. A member stressed the challenge of finding a solution in light of the diverse EU pension landscape. Many members were optimistic given the compelling benefits such initiative could potentially bring. The Chair of the OPSG thanked the Work Stream for their contribution which will be finalised in due course, advising EIOPA to present further detail of the project to the OPSG as a next step.

Conclusion/Action:

- Francesco Briganti to incorporate comments received during the 28 February meeting, and the lunch meeting of the OPSG Pan-EU DC WS
- EIOPA Pensions Team to give further detail of the project to the Pan-EU DC Work Stream

9. Feedback statement on best solutions for pay-out arrangement

Raimond Maurer presented (link to presentation [here](#)) on the various types of risk that consumers face during the pay-out phase and associated issues and elaborated on how to ensure that consumers secure an adequate retirement income. The level of detail of his analysis was appreciated. OPSG work in this field complements well EIOPA's Fact Finding Report on Decumulation Phase Practices published in October 2014.

Conclusion/Action:

- EIOPA Secretariat to circulate to OPSG background documents from Raimond Maurer
- EIOPA Secretariat to send call for interest to join Working Party on Pay-out solutions in personal pensions

10. IORP II implementation including consumer protection

Paul Kelly announced that he would step down as Chair of the Work Stream on IORP II implementation. He informed that the draft OPSG position paper was close to be finalised by the WS. The OPSG Chair invited members to volunteer for taking over the lead of this WS.

Conclusion/Action:

- EIOPA Secretariat to circulate a call for candidate to for the lead of the IORP II (incl. Consumer Protection) Work Stream.

11. EMIR (European Market Infrastructure Regulation) temporary exemption from clearing obligation for pension scheme arrangements

Pensions Team Leader presented (link to presentation [here](#)) the latest developments with regard to EMIR and in particular the temporary exemption of pension scheme arrangements from

clearing obligations OPSG members were asked to express their views and concerns on the temporary exemption of pension scheme arrangements and which possible technical solutions and options they would like to propose for further discussion. The OPSG chair stressed that feedback on this topic is important for two reasons: the temporary exemption is coming to an end and, so far, no technical solution for non-cash collaterals have been found. Also, there are indications that the exemption was not fully effective.

Conclusion/Action:

- Members to provide comments by 15 March to the OPSG Chair (cc: EIOPA Secretariat), regarding suggestions for the EMIR post exemption period for pension scheme arrangements.

12. AOB

Internal and website communication

Head of Corporate Affairs informed about EIOPA's recent reorganisation and that the responsibility for the organisation and coordination of the Stakeholder groups has been taken over by the Corporate Affairs Department.

As far as the communication channels for the group and its work are concerned, there was a common understanding of OPSG's mandate as laid down in the EIOPA Regulation being an advisory body to EIOPA. It was acknowledged that the presentation of the Stakeholder Groups via EIOPA's Website in the framework of the currently ongoing review and upgrade of the Website could be improved.

Conclusion/Action:

- EIOPA Secretariat to send further information about generic email address Stakeholder.Groups@eiopa.europa.eu for communication between OPSG and EIOPA
- EIOPA to encourage OPSG to give [feedback about EIOPA website](#)