

Summary of Conclusions

Occupational Pensions Stakeholder Group (OPSG)

Sixth meeting

Date: 26 April 2017

Time: 10:00 – 16:00

Location: EIOPA premises

Contact: Stakeholder.Groups@eiopa.europa.eu

List of participants:

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

Not present: Giuseppe Corvino, Claudia Menne.

EIOPA: Gabriel Bernardino (Chairman), Fausto Parente (Executive Director), Manuela Zweimüller (Head of Policy Department), Sandra Hack (Team Leader Pensions Team), Pedro Pires (Consumer Protection Department), Carine Pilot-Osborn (Policy Department), Barthold Kuipers (Policy Department), Daniel Perez (Risk and Financial Stability Department), Ursula Bordas (Consumer Protection Department), Florian Ouillades (Corporate Affairs Department).

EIOPA Alternate Chair: Peter Braumüller (FMA, AT) and EIOPA Management Board Members: Frank Grund (BaFin, DE), Julia Cillikova (NBS, SK).

European Commission (EC, DG FISMA): Philippe Caluwaerts, Martijn Grevink (via telco).

1. Approval of the agenda

Conclusion/Action:

- The agenda was approved.

2. Update by the OPSG Chair

The OPSG Chair summed up the follow-up actions of the last meeting on 28 February 2017 and outlined the work ahead.

Conclusion/Action:

- OPSG Subgroup (SG) Leads Bernard Delbecque, Francesco Briganti and Alexandru Ciuncan to suggest by 19 May 2017 possible new OPSG projects corresponding to their areas of responsibility.
- OPSG to discuss at the next meeting on 20 June 2017 the following topics:
 - Pan-European Occupational Defined Contribution (DC) framework
 - EIOPA's pensions data requests

- Pay-out arrangement (paper by Raimond Maurer)
- Sustainable investment by pension funds
- Asset Liability Management
- OPSG internal organisation: (1) Planning for 2017-2018 and (2) Member's Manual

3. Update by the EIOPA Chairman

Remarks:

Pensions data requests

At the same time as EIOPA's project to improve the reported data on the European pensions sector, the European Central Bank (ECB) is developing a dedicated framework for Euro-area statistics on pension funds and amending the securities-holding statistics (SHS) for financial instruments held by pension funds. EIOPA, together with Eurostat and the OECD, has been collaborating with the ECB to support a relevant framework for pension data. As a result of the collaboration, the envisaged data requests of the ECB and EIOPA are fairly aligned, acknowledging the different objectives of the ECB and EIOPA.

EIOPA will present its proposals at 20 June OPSG meeting and aims to launch a public consultation on the data request in summer 2017, within a similar timeframe as the ECB. By the end of 2017 the ECB plans to have finalised its Regulation.

Pan-European Occupational Defined Contribution (DC) framework

EIOPA's Chairman thanked members for their initial ideas – received through EIOPA's online engagement survey – on a Europe-wide framework governing occupational DC pension funds. He mentioned that EIOPA organises a workshop on 3 May 2017 on the idea of a pan-European occupational DC framework with a few experts mainly involved in cross-border activities. EIOPA will report on the outcome of the survey and workshop at the OPSG meeting on 20 June 2017.

Public consultation on the operations of the European Supervisory Authorities (ESAs):

EIOPA's Chairman welcomed the consultation as a key element to ensure that EIOPA further progresses towards supervisory convergence. Although much progress has been achieved in the past years – to promote a stronger and more integrated regulatory framework, to ensure high-level, effective and consistent regulation and supervision – the European Commission's consultation raises important issues on possible improvements. In EIOPA's view, the internal models tool should be further elaborated to enhance conduct of business oversight strategy, e.g. by acquiring powers to approve and monitor internal models of cross-border groups. Indeed, material differences in supervisory approaches can have a huge impact on the level playing field between firms as well as on policyholder protection.

As the consultation also addresses aspects of governance structure, EIOPA's Chairman stressed that prerequisites for strong European insurance and Pension supervision should be secured irrespective of the final set-up, such as the protection of policyholders and beneficiaries. Any future governance structure of the ESAs will have to reflect the different competences in the different sectors to avoid an imbalanced supervisory architecture.

Brexit

EIOPA's focus is currently on cross-border cooperation as some firms intending to leave the UK might relocate to EU countries. EIOPA is actively engaging with its Members to monitor and issue guidance to National Competent Authorities on how such issues can be addressed and approached.

Conclusion/Action:

- Members to flag to EIOPA any issues concerning cross-border cooperation related to Brexit: e.g. cross-border IORPs
- EIOPA to give update on Budapest Protocol at the OPSG meeting on 5 October 2017.
- OPSG to deliver ideas to EIOPA on good practices of consideration of ESG factors and sustainable investments by IORPs.

4. Update by the European Commission (COM)

The European Commission provided a short update about its main deliverable in the field of pensions:

Pan-European Personal Pensions product (PEPP):

The impact assessment was submitted to the Impact Assessment Scrutiny Board on 29 March. One of the key issues are possible options for taxation and beneficial tax treatment in the individual Member States. The legislative proposal: Regulation or Directive shall be presented in the summer 2017.

COM representative clarified that COM does not aim to harmonise taxation, which is a competence of the Member States. The PEPP regime is meant as a voluntary, complementary regime to the national legislation (in the way e.g. the Undertakings for Collective Investment in Transferable Securities – UCITs framework is). Positive feedback received from consumers through COM public consultation on a potential EU personal pension framework suggests an important market volume for the PEPP.

Members discussed the possible tax combinations for the PEPP at the various stages of the life of the product – contribution, returns, pay out.

Conclusion/Action:

- None

5. IORP Stress Test (ST) 2017

Stefan Nellshen highlighted aspects of the Stress Test (link to presentation [here](#)), which are welcomed by the subgroup as well as the areas for further improvement.

EIOPA's Chairman stated that having a stable framework over time for the stress test exercises and a single methodology is very much in the interest of the Authority. However, he pointed out that some discretion should be granted to EIOPA to select the most relevant scenarios according to the specific circumstances.

Some members suggested involving the OPSG even further in selecting the indicators of the ST results that show the health of the Occupational Pensions sector in the EU. In their view presenting raw figures that suggest shortfalls may be misleading. On the point of exploring further indicators, there was consensus that the analysis of the cash flows – complementing balance sheet figures – would help to better communicate the results.

EIOPA's Chairman welcomed support from the group and invited members to Stress Test related events: a public event to launch the exercise scheduled for 18 May 2017 and a closing event. He reminded the current EIOPA practice of communicating with stakeholders including OPSG members ahead of the official publication of the report. However, he clarified that in order to guarantee its independence the OPSG will not be invited to comment on its report before publication. EIOPA's Chairman reminded that the Authority is a pioneer in running multi-national stress test on Occupational pensions and highlighted the efforts going into simplifying the exercise as well as in adapting the methodology in a more convergent approach for defined benefit (DB) and DC. Answering questions from the OPSG members, EIOPA provided further explanations on the methodological changes introduced compared to the 2015 exercise.

Conclusion/Action:

- OPSG Stress Test Work Stream to further comment on the IORP Stress Test only once results are published.

6. EIOPA Financial Stability Report December 2016

EIOPA presented (link to presentation [here](#)) the scope and aim of financial stability reports as well as the relevant parts to pension funds in the December 2016 report. Subsequently, OPSG draft Response to EIOPA Financial Stability report was presented (link to presentation [here](#)) suggesting to further focus on market structure and its impact on systemic risk, hybrid schemes, and to explore additional macro prudential aspects and interlinkages with other sectors. Members discussed the fact that not all in the occupational pension sector fall under the

IORP Directive. Some members also questioned whether or not macro aspects should be covered in the report.

EIOPA's Chairman clarified EIOPA's responsibilities in financial stability, implying the need to elaborate not only on microprudential, but also on macro aspects. Furthermore, EIOPA closely cooperates with the European Systemic Risk Board and the Financial Stability Board to avoid any duplication of work. Additionally, it was explained that the issue of systemic relevance is linked to the definition of systemic risk, which is not the focus of the report.

The OPSG Chair and a member of the Management Board deplored the lack of representatives with deep expertise and knowledge in the occupational pension sector in European/international fora where financial stability is discussed.

Conclusion/Action:

- OPSG to provide feedback on EIOPA financial stability reports on a yearly basis.
- Fieke van der Lecq (topic Lead) to send draft "OPSG response to EIOPA's Financial Stability Report" to EIOPA Secretariat in order to finalise the deliverable.

7. Consumer protection: Performance, costs and fee

Guillaume Prache presented (link to presentation [here](#)) his proposal regarding the implementation of COM's Capital Market Union Action on performances and fees of long-term and pension savings products. He covered scope, methodology and advised e.g. to exclude taxation, but keep inflation in the analysis.

The presentation was a first step towards formal OPSG advice to EIOPA, the OPSG Chair clarified. Comments will be further gathered from members.

EIOPA's Executive Director welcomed input from OPSG before the upcoming mandate from COM is received and after, by Q3 2017.

Some Members asked to break down the analysis according to the level of service, risks, consumer choice, life cycle phase, protection and time horizon. Some members suggested adding asset classes and investment strategies. The presentation of aggregated figures was questioned by some Members.

Some Members also challenged the methodologies presented, suggesting using data of other institutions carefully due to coherence problems. The availability of data will impact the methodology. Members discussed whether to include past performance and when to include pension products in the scope of the analysis.

EIOPA explained COM intentions as a pragmatic approach to be based on aggregate figures and a breakdown by products, so that consumers can compare them.

Conclusion/Action:

- Guillaume Prache (topic Lead) to send his draft paper to EIOPA Secretariat.
- EIOPA Secretariat to launch a Call for volunteers to join OPSG Working Party on Performance, costs and fees.
- OPSG to deliver advice to EIOPA at two different stages: before the mandate to help frame the issues, and once the mandate has been issued for the project development

8. European Commission's Consultation on the operations of the ESAs

Michaela Koller summed up the comments received (link to presentation [here](#)) and timeline of the OPSG response. She described EIOPA's powers and analysed to what extent opinions of the group have been taken into account by the Authority.

There was a consensus around the need for a more flexible approach in the decision making process. However, diverging views arose in the group about EIOPA's role in cross-sectoral convergence and a level-playing field. An enhanced role of the Joint Committee in ensuring cross-sector consistency was discussed in this respect. Members agreed with the need for consistency in consumer protection, and for reasonable, evidence-based supervisory convergence. Also, there was overall support to maintain the current funding and governance structure.

One member suggested that EIOPA should take a measured approach to issuing guidelines, e.g. only if a legal basis is already in place – Regulation or Directive.

On the need to have own-initiative guidelines next to mandated guidelines, EIOPA's Executive Director clarified that the supervisory community needs the power to consistently apply legislation. While EIOPA is now revising its guidelines, issuing guidelines is an available tool laid down in EIOPA's regulation that aims at complementing delegated and implementing acts. Finally, the principle of subsidiarity was questioned in cases where all Board of Supervisors Members vote on issues (e.g. pension) that impact only a few of them.

Conclusion/Action:

- Members to send input as soon as possible
- Michaela Koller (topic Lead) to circulate new draft by 5 May 2017 12:00 h CEST
- Topic Lead to liaise with IRSG in order to assess feasibility of a Joint OPSG/IRSG response given the short timeframe.

9. Opportunities for the future of Pensions for the changing world work, including Auto-enrolment

Damien Lagaude presented (link to presentation [here](#)) study on the suitability of the current pension system in Europe and for the future challenges of the labour market to ensure decent pensions. In his presentation he noted:

- A global increase in employment from 2014, also for young workers especially in temporary employment, but not for long-duration employment;
- Increasing breaks in careers. He explained the risk of the labour market being transferred to the individuals, and the consequences of an incomplete career on pension rights, wondering how the 2nd pillar would cope with that trend;
- That the current system does not match all career profiles (e.g. self-employment). Also, low wages are not well encompassed in the system resulting in precariousness and a pension gap.

The OPSG Chair added that work of the Social Policy Committee in the Council and the COM Adequacy reports constitute a valuable source of information.

One member stressed the urgency to get Europeans to save more for the old age, and further described good auto-enrolment practices (in Chile, New Zealand, the USA).

Conclusion/Action:

- Damien Lagaude (topic Lead) to send outline of "OPSG Position paper on the Opportunities for the future of Pensions" to EIOPA Secretariat, taking previous work on auto-enrolment into consideration.
- Members to advise Damien Lagaude (topic Lead) on his selection of countries in his comparative analysis. Discussion to be continued at the next meeting on 20 June 2017

10. Best solutions for pay-out arrangement

Discussion of this item was postponed.

Conclusion/Action:

- Raimond Maurer (topic Lead) to send to EIOPA Secretariat by end of May 2017 first draft of "OPSG Position Paper on Pay-out solutions in personal pensions".

11. IORP II implementation including consumer protection

Discussion of this item was postponed.

Conclusion/Action:

- Francesco Briganti to take over topic Lead of IORP II implementation Work Stream
- Francesco Briganti to circulate to WS members amended timeline for "OPSG Feedback Statement on the Implementation of the IORP II Directive" by 12 May 2017.