

Summary of Conclusions

Occupational Pensions Stakeholder Group (OPSG)

Eighth meeting

Date: 5 October 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, Francesco Briganti, Lukasz Budzynski, Alexandru Ciuncan, Paul Cox, Laure Delahousse, Senka Fekeža Klemen, Zdeněk Hustak, Michaela Koller, Damien Lagaude, Sonia Maffei, Raimond Maurer, Marianne Moscoso Osterkorn, Stefan Nellshen, Philip Neyt, John O'Quigley, Guillaume Prache, Michael Reiner, Ján Šebo, Falco Valkenburg and Fieke van der Lecq.

Not present: Janwillem Bouma, Charlotta Carlberg, Paul Kelly, Claudia Menne, Kevin O'Boyle.

EIOPA: Gabriel Bernardino (Chairman), Fausto Parente (Executive Director), Sandra Hack (Team Leader Pensions Team), Ursula Bordas (Consumer Protection Department), Jan-Ole Wagner (Consumer Protection Department), Carine Pilot-Osborn (Policy Department), Giulia Conforti (Policy Department), Peter Kleisen (Policy Department), Florian Ouillades (Corporate Affairs Department).

EIOPA National Competent Authorities (NCAs): Julia Cillikova (NBS, SK), Greet T'Jonck (FSMA, BE), Colum Walsh (CBI, IE).

European Commission (DG FISMA): Nathalie Berger (via video conference).

1. Approval of the agenda

Conclusion/Action:

- The draft agenda (EIOPA-OPSG-17-15) was approved.

2. Update by the OPSG Chair

The OPSG Chair reminded the group about the follow-up actions from the last meeting on 20 June 2017. Members discussed the timeline of each expected deliverable in the OPSG Work Plan.

Conclusion/Action:

- OPSG to form a working party on the reviews of the ESAs. Michaela Koller (topic lead) to outline the scope of work.
- OPSG to consider own-initiative opinion on EIOPA's future work in relation to the conclusions of the report on Sustainable Finance by High-Level Expert Group, to be published by Q1 2018.

3. Update by the EIOPA Chair

ESA's review

EIOPA welcomed the European Commission's proposal from 20 September 2017 to reinforce integrated supervision in Europe. EIOPA strongly believes in an integrated and holistic approach towards prudential and conduct of business supervision. Divergent supervisory standards and outcomes should be avoided. Further enhancing supervisory convergence through consistent application of supervisory practices across the European Union is key. It will not only help mitigate risks but also improve consumer protection and safeguard financial stability for the benefits of all European citizens. The EIOPA Chairman welcomed in particular the proposal to enhance EIOPA's role in the field of sustainable finance, climate change, and Fintech. EIOPA's actions on Fintech focus on (1) a dedicated thematic review and Round Tables, (2) new technologies (sandboxes, authorisation hubs, etc.), and (3) cyber risk. EIOPA stands ready to fulfil the proposed stronger role on supervisory convergence and to support the European Commission, the European Parliament and the Council in the upcoming discussions.

Pan-European Personal Pensions (PEPP)

The EIOPA Chair welcomed own-initiative advice from the group on this Commission's proposal from June 2017. He underlined the significance of appropriate authorisation and supervision processes for the PEPP. He advocated a strong role for EIOPA in creating a high-standard European label for PEPP and managing a central public register. The Authority sees PEPP has a powerful tool to encourage personal pension savings for EU citizens and to enable important long-term investments.

New working structure at EIOPA

The Board of Supervisors (BoS) decided on 29 June 2017 to review EIOPA's working group structure. Three Steering Committees were created: the Supervisory Steering Committee, the Policy Steering Committee, and the Risks & Financial Stability Steering Committee. The Committee on Consumer Protection and Financial Innovation (CCPFI) remains.

This means that pension matters are now dealt with in each of the above-mentioned steering committees and in the CCPFI, depending on the subject. The Occupational Pensions Committee (OPC) will be disbanded. The Budapest Protocol Subgroup is transferred, as a project group, to the Policy Steering Committee (PSC). An expert network on pensions issues will be created.

One member expressed concerns about disbanding the OPC, and pointed at the differences between the insurance and pensions business. The EIOPA Chair stressed that pensions has and will have its place in the debates. In the new and more efficient structure, pensions will be discussed across committees. The Committees are composed of high-level national competent authority representatives with decision-making power in their authority.

Joint meeting

The Joint EIOPA Board of Supervisors and Stakeholder Groups meeting will take place on 28 November 2017. The EIOPA Chairman thanked members for their suggestions of topics for discussion and emphasized three themes in particular: the review of the EIOPA Regulation, the future of retirement savings, and the cost and performance of retail investment, insurance and pension products. EIOPA aims to facilitate open and vivid discussion between Board and Stakeholder Group (OPSG and IRSG) Members, on topics that are strategic and of common interest.

Occupational pensions stress test

The pensions stress test was conducted between 18 May and 13 July 2017 in 20 EEA countries with a significant pension fund sector. Following national validation from 13 July to 22 August 2017, NCAs submitted the stress test results to EIOPA. EIOPA received reporting templates from over 190 pension funds representing a market coverage of 40%. The central validation ends in October 2017 when National Competent Authorities send final revisions to EIOPA.

In the coming months, EIOPA will continue drafting the stress test report, which is expected for publication around mid-December 2017. As agreed during the OPSG meeting on 26 April 2017, EIOPA welcomes reactions to the stress test report by the OPSG after publication of the report. Stakeholders will have the opportunity to give feedback on past stress tests and share ideas about the next exercises during a closing event.

Sustainable finance

The EIOPA Chair outlined EIOPA's response to the consultation on the interim report of the European Commission's High level Expert Group on sustainable finance (HLEG). He noted that the IORP II Directive already acknowledges the role of Environmental, Social and Governance (ESG) factors. Any measures taken to promote sustainable investments should not put financial stability (FS) at risk – FS being a prerequisite for sustainable investment and meeting ESG objectives. Establishing a clear EU taxonomy for sustainable investments should contribute to fulfilling the ESG objectives.

Some members expressed concerns about changing capital requirements for public policy objectives. The EIOPA Chair supported the work on taxonomy but expressed reservations on using prudential regulation to foster investments in certain asset classes.

Pan-EU DC framework

EIOPA thanked OPSG members for their latest contribution to the evidence-gathering by EIOPA on the case for a Pan-European Occupational Defined Contribution framework. Input from OPSG helped identify the remaining cross-border issues and their possible resolution. EIOPA staff is currently drafting a paper summarising the main findings and conclusions.

The EIOPA Chair indicated that at this point in time there does not appear to be overwhelming enthusiasm for this topic, which will be taken into consideration when re-prioritising EIOPA's projects.

LEI codes pension funds, MiFIR

The Markets in Financial Instruments Regulation (MiFIR) will apply from 3 January 2018. It entails the obligation for investment firms to report, for transaction reporting purposes, the Legal Entity Identifier (LEI) codes of their clients. This means that pension funds will need a LEI code so they can trade financial instruments through investment firms. European pension funds are not well advanced in applying for a LEI code. The EIOPA Chair encouraged Members to increase the compliance with EIOPA's LEI Guidelines.

Conclusion/Action:

- Members representing IORPs to raise awareness about the fact that European pension funds must apply for a Legal Entity Identifier (LEI) code for transaction reporting purposes.

4. Update by the European Commission (COM) on Pan-European Personal Pensions (PEPP)

The European Commission representative presented (link to presentation [here](#)) the proposal for the Pan-European Personal Pensions initiative (PEPP) adopted in June 2017. She explained the objectives and detailed the core features of the product. The expected regulation will build on existing (distribution, information, prudential) frameworks and leave some features not harmonised. The objective of the PEPP is to provide consumers with a good personal pension product while making the product appealing to providers.

The initiative has been well received in general. Members welcomed the opportunity to interact with the European Commission and EIOPA on this topic. In the discussion that followed members discussed: expected benefits for savers, mandatory guarantees in the default investment option, features of alternative investment options, the role of national compartments to provide the portability services, distribution rules, provision of the switching service during the accumulation phase, role of IORPs as potential providers, EIOPA's authorisation role and the interrelationship with regular national supervision. Bernard Delbecque (topic lead) explained the main issues in a few slides (link to presentation [here](#)) which should be covered in the draft OPSG position paper.

Conclusion/Action:

- Secretariat to circulate OPSG and COM presentation slides ([here](#)).
- Bernard Delbecque (topic lead) to send draft OPSG Position Paper in word format for comments by 20 October 2017.

5. Consumer Protection

5.1 Performance, costs and fees

Guillaume Prache presented an updated draft of the OPSG Position Paper on Performance, costs and fees and welcomed comments. Members agreed on the lack of comparable data available and on the objective of developing a consistent methodology in the interest of consumers. Some members took note that the methodology developed by the OECD is not fit for ESA's purpose to the extent that it does not reflect the costs borne by the consumer. Others supported to exclude from the scope of the OPSG advice considerations on inflation and taxation.

The EIOPA Chair noted that the ESAs were still to receive a concrete mandate by the European Commission. As part of the Capital Market Union (CMU) action plan, the ESAs will have to report on costs and performance of the main categories of retail investment, insurance and pension products. The EIOPA Chair stated that he envisages a staggered approach to the implementation, as data is not yet sufficiently available. Discussions to develop a methodology for reporting on costs and performance with a set of comparable indicators are ongoing at EIOPA. The OPSG will be updated with further information once the Commission mandate is received.

Conclusion/Action:

- Guillaume Prache to send a new draft to secretariat for final approval by written procedure, after having incorporated comments.

5. Consumer Protection

5.2. ESA's Report on automation in financial advice

The OPSG Chair made reference to the draft OPSG Opinion submitted by Charlotta Carlberg on the Report of the ESAs Joint Committee on automation in financial advice. A draft was circulated to the OPSG on 27 September 2017. One member suggested referring to the occupational pensions "sector" instead of market. It was agreed to amend the text accordingly.

Conclusion/Action:

- OPSG Opinion on the Report of the ESAs on automation in financial advice was adopted by unanimity after having agreed to include the above editorial comment.

6. IORP II and its implementation, including consumer protection issues

Francesco Briganti presented the progress made in drafting the OPSG position paper on the IORP II implementation. He indicated that parts of the separate "Consumer aspects" document will be included in the paper. Regarding Pension Benefits Statement (PBS), he gave the example of the Netherlands where layered information is provided to beneficiaries. In the so-called Pensions 1-2-3 system, communication on benefits ranges from a first layer with the most important information, to the second and third layers with more detailed information. Further reactions focused on information overkill and on how new technology could address the issue. The OPSG Chair concluded that further work is needed and that the paper could add value to the COM implementation workshop to take place in December 2017.

Conclusion/Action:

- Francesco Briganti to circulate new draft to work stream on IORP II implementation after having incorporated comments. Possibility for OPSG members to send comments to Francesco.

7. Review of the Budapest Protocol

The EIOPA OPC Subgroup Lead updated the group about the ongoing review of the notification procedures for cross-border activities and transfers. She presented the ideas about new, simplified, proportionate aspects of the procedure. She identified areas where feedback provided by OPSG members had been duly considered and taken on board to the extent possible. In the months ahead, the Subgroup will explore other areas within the IORP II Directive where cross-border collaboration and exchange of information between NCAs would be beneficial.

EIOPA clarified that a BoS Decision will set out the cross-border collaboration between national supervisory authorities with respect to the IORP II Directive. A first discussion in the BoS meeting is planned by the end of 2017 with adoption and publication in 2018.

Members very much welcomed the opportunity to receive direct feedback on whether OPSG advice was taken into consideration. They welcomed the main ideas for the revised notification procedures of cross-border activities and transfers in IORP II, in particular with respect to encouraging informal meetings with NCAs and IORPs before formally starting the process ("Step 0" proposal).

The OPSG Chair asked EIOPA to provide the OPSG with the draft Protocol in order for OPSG to assess the exact drafting of the future provisions on the collaboration of national competent authorities. EIOPA responded that, as this work only considers the efficient collaboration of national competent authorities strictly within the legal framework of IORP II, sharing these preliminary views on the future collaboration does not seem appropriate at this point in time.

The OPSG Vice Chair proposed that the draft be circulated before it is submitted to the BoS. The OPSG Chair stressed his dissatisfaction that the draft collaboration decision is not being shared with the OPSG, as it would hinder formulating an opinion on the eventual decision; As the OPSG will not have the opportunity to comment the draft new Protocol it will not be possible to follow-up on its "OPSG Feedback Statement to EIOPA" of 30 November 2016 to formulate another opinion about "cross-border authorisation process and the need to change the Protocol" as envisaged in the OPSG Work Plan.

Conclusion/Action:

- Secretariat to circulate presentation slides.
- Members to send further written comments about the content of the presentation to Matti Leppälä (topic lead).

8. EIOPA's regular information requests towards NCAs regarding provision of occupational pensions information

Matti Leppälä outlined the scope of the OPSG response (link to presentation [here](#)) and the main aspects of EIOPA's public consultation. He emphasized the close link with the European Central Bank's public consultation on the draft ECB regulation for pension funds and that any opinions about this interlinkage will be incorporated into OPSG's opinion regarding EIOPA's public consultation on pensions data.

Members further discussed the issues of individual IORP data, the cooperation between National Central Banks and National Competent Authorities and information about coverage.

Conclusion/Action:

- Matti Leppälä (topic lead) to circulate first draft of OPSG opinion regarding EIOPA's public consultation on pensions data.

9. Sustainable investments by IORPs

Fieke van der Lecq presented an updated proposal for the OPSG project on sustainable investment by IORPs.

Conclusion/Action:

- Members agreed to take stock of existing and developing industry practices. The initial idea of surveys to both IORPs and NCAs will not further be pursued at the moment. OPSG members are asked to consult their corresponding constituencies.
- Fieke van der Lecq (topic lead) to send a new draft to secretariat after having incorporated comments.

10. AOB

ESA's review

Michaela Koller informed the group how the current Commission proposal takes OPSG advice into account based on the OPSG response to European Commission's consultation on the Operations of the ESAs and Joint Statement by ESAs Stakeholder Groups.

Joint meeting

The schedule of the Joint meeting of the Board of Supervisors and Stakeholder Groups meeting on 28 November 2017 was discussed. The main meeting starts at 11:00 at the Westin Grand Hotel and includes a dinner as of 19:00.

Conclusion/Action:

- OPSG to hold an early meeting on 28 November 2017 (9:00-10:30) at the Westin Grand Hotel (Konrad-Adenauer-Straße 7, 60313 Frankfurt).
- Secretariat to circulate draft agenda of the Joint meeting.