

Summary of Conclusions

Occupational Pensions Stakeholder Group (OPSG)

Tenth meeting

Date: 6 March 2018

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 Alvinussen, Janwillem Bouma, Tomas Bern, Paul Brice, Francesco Briganti, Lukasz Budzynski, Charlotta Carlberg, Alexandru Ciuncan, Laure Delahousse, Paul Kelly, Senka Fekeža Klemen, Damien Lagaude, Sonia Maffei, Raimond Maurer, Stefan Nellshen, Philip Neyt, Kevin O'Boyle, John O'Quigley, Guillaume Prache, Michael Reiner, Ján Šebo, Falco Valkenburg and Fieke van der Lecq.

Not present: Paul Cox, Michaela Koller, Zdeněk Hustak, Claudia Menne, Marianne Moscoso Osterkorn.

EIOPA: Gabriel Bernardino (Chairman), Fausto Parente (Executive Director), Justin Wray (Head of Insurance Policy Unit and Deputy Head of Policy Department), Sandra Hack (Pensions Team Leader), Timothy Shakesby (Conduct of Business Oversight Team Leader), Petr Jakubik (Financial Stability Team-Leader), Barthold Kuipers (Policy Department), Ursula Bordas (Consumer Protection Department), Julian Arevalo (Consumer Protection Department), Robert Lasocki (Consumer Protection Department), Carine Pilot-Osborn (Policy Department), Giulia Conforti (Policy Department), Camille Graciani (Policy Department) Florian Ouillades (Corporate Affairs Department).

European Commission (DG FISMA): Philippe Caluwaerts (via telephone conference).

1. Approval of the agenda

Conclusion/Action:

- The draft agenda (EIOPA-OPSG-18-01) was approved.

2. Update by the OPSG Chair

The OPSG Chair reviewed outstanding deliverables in the OPSG Work Programme. He thanked EIOPA for its stakeholder management in the area of Stress Tests. He welcomed the opportunity to discuss fundamental issues such as a long-term view on stress testing and referred in particular to the EIOPA Stress Test closing event on 21 March 2018. He welcomed the open discussions with EIOPA. He mentioned the proposal to draft a Joint ESAs Stakeholder Groups letter on the ESAs review and for this the need to adopt the OPSG position in the near future. Guillaume Prache participates in this project aims to focus only on proposals affecting directly the Stakeholder Groups.

Conclusion/Action:

- Secretariat to coordinate the drafting of the OPSG Activity Report with OPSG Chair (see previous version of report [here](#)).
- Leaders of Work Stream/Working Parties to prepare a summary of their deliverable on the basis of drafting guidelines to be circulated shortly after the meeting.
- Draft OPSG Activity Report to be circulated for comments with a view to approving the Report at the OPSG meeting on 4 July 2018.
- Members to take note and complete the revised OPSG Work Programme
 - Raimond Maurer (topic owner) to draft the OPSG Feedback Statement on best solutions for pay-out arrangements with the support of Paul Brice, Bernard Delbecque, Matti Leppälä and John O’Quigley.
 - Paul Cox (topic owner) to advise on expected delivery date of OPSG Position Paper on solutions to protect consumer outcome in personal pensions.
 - Michaela Koller to submit feedback statement on the Commission proposal on the review of the ESAs for written approval within two months.

3. Update by the EIOPA Chair

Call for Expression of Interest to participate in EIOPA’s Stakeholder Groups

On 1 March 2018, EIOPA launched a call for expression of interest for new candidates to renew the membership of the OPSG and IRSG. Deadline for application is 26 April 2018.

EIOPA’s initiative on pensions data

The European Central Bank (ECB) approved and published its Regulation on pensions statistics on 17 February. Consistently, EIOPA aims at finalising its requirements in April 2018, using the same reporting timeline (Q3 2019 and end-2019 data). EIOPA’s Chairman thanked the OPSG for its comments to the public consultation and explained how the Group’s advice was taken into account. EIOPA developed a proportionate approach to small IORPs and has been looking into further streamlining the reporting package of occupational pensions information. EIOPA will ensure to be consistent with the ECB’s requirements.

Budapest Protocol

EIOPA will ask OPSG for an opinion on the draft new Budapest Protocol later this spring. Informal OPSG feedback on the revised Budapest Protocol should be sent within three weeks of receiving EIOPA’s draft in order to ensure timely adoption by the EIOPA Board of Supervisors.

OPSG Position Paper on Asset Liability Management (ALM) and Financial Instruments

EIOPA welcomed this comprehensive paper and is willing to consider the proposed ALM framework in the context of investment policy in a more comprehensive fashion, following – and depending on – the conclusions/recommendations of a peer review on the prudent person rule. Publication of the outcomes of the peer review by National Competent Authorities (NCAs) is expected in the first half of 2018. EIOPA staff advised the OPSG to consider, for any further work in this area, sustainable finance i.e. Environmental, Social and Governance aspects as well as the impact from new technologies.

Sustainable Finance

Sustainable finance is high on the agenda for EIOPA in both pensions and insurance area given the long-time horizons in these two sectors. Sustainable Finance will be one of the prominent topics addressed at EIOPA’s Strategy Day 2018 and the EIOPA annual conference. EIOPA’s Chairman welcomed proposals in the final report of the High-Level Expert Group on Sustainable Finance, such as developing an EU taxonomy for ESG activities for risk analysis purposes.

EIOPA’ Chairman suggested having the topic again on the agenda of the OPSG meeting on 3 May 2018. He then elaborated on the balance to strike between sustainable finance and financial stability.

Conclusion/Action:

- Members to raise awareness about EIOPA's call for Expression of Interest to participate in the IRSG and OPSG (see news [here](#)).
- EIOPA to share early draft of revised Budapest protocol with OPSG for comments, after EIOPA's internal legal review and in view of the adoption by the Board of Supervisors in June 2018.

4. Update by the European Commission

Discussions on the pan-European personal pension product (PEPP)

The Commission representative outlined the progress made on this dossier in the Council. A draft report by the PEPP rapporteur, Sophia in 't Veld in the European Parliament, will be tabled in the EP ECON committee in due course.

SII Public hearing

The European Commission organises a public hearing on 27 March 2018 on the 2018 review of Solvency II implementing measures.

Conclusion/Action:

- Members to take note of the European Commission Action Plan on [FinTech](#) and [crowd-funding](#) initiative.

5. 1. Costs and past performance

EIOPA staff updated the OPSG about the methodology for the 2018 report on Costs and past performance, which will include insurance-based investment products (IBIPs) and personal pensions. OPSG members underlined the value of using benchmarks and sought their inclusion in the report, as well as the classification and terminology of products – to reflect different market realities and regarding especially profit participation products. Members also asked if many countries had issues with performance scenarios of the Key Information Document on PRIIPs.

EIOPA staff elaborated on the performance scenarios issues, noting that the scenarios will not be used for the report, and that the report will mention any PRIIPs implementation issues during the data collection period. The 2018 report would be issued with many caveats in view of insufficient comparability of data at this stage.

Conclusion/Action:

- OPSG to give informal feedback by 14 March 2018 for the 2018 report.

5. 2. Consumer trends

EIOPA staff presented (see link to presentation [here](#)) the sixth Consumer Trends Report published in 2017 that took into account the input received from OPSG Members. The report emphasised financial innovations and digitalisation. Last year's report also included the following new elements: a focus on financial innovation, stakeholder interviews, and the use of retail risk indicators (in insurance).

One Member asked about observations on the use of blockchain technology. This topic was already addressed in the previous report but is still premature to identify material consumer trends. Referring to the question on the source of information on complaints in the pensions sector, it was emphasised that such information comes from NCAs, in particular from the dedicated survey circulated to NCAs. EIOPA's Chair invited Members to provide input on specific product trends including on product design and related business models, as these areas need to be further analysed.

Conclusion / Action:

- Alexandru Ciuncan (topic owner) to coordinate OPSG's input in view of submission to EIOPA by 30 March 2018.

- Members to send comments to topic owner by 16 March 2018

6. PEPP

Bocconi university professor Claudio Tebaldi presented via videoconference (see link to presentation [here](#)) his findings regarding the use of a lifecycling model to protect the value of contributions, compared to financial guarantees.

Members welcomed the presentation and the quality of the study. Several members presented critical views about some of the assumptions used, and Professor Tebaldi explained the rationale behind the choices made.

EIOPA supports the development of innovative investment strategies for PEPP and highlighted that the main purpose should be to support good outcomes for the retirement income, maximising the asset value at the point of retirement.

Conclusion/Action:

- Members to take note of the presentation on the Bocconi University study on investment strategies for the default options of the PEPP.

7. Sustainable Finance

The OPSG Chair introduced the topic (see link to presentation [here](#)) and provided an overview of the outcome of the High-Level Expert Group on sustainable finance. The Commission will publish an action plan and a legislative proposal that will affect pension funds, as long-term investors. He suggested to the group to further work on the topic and to provide its opinion to EIOPA and the Commission.

Members welcomed this initiative from the Commission but highlighted several difficulties. On the one hand, gathering the preferences of beneficiaries and integrating them in the investment strategy raises practical difficulties. On the other hand, it is difficult to assess the ESG preference of beneficiaries against their risk-return preferences. There is also the question on how to balance fiduciary and investor duties. In terms of process, some Members wondered about the appropriate legal tool to reflect considerations on ESG factors. Others wondered to which extent the current legislation, which already embeds ESG factors, needs to be complemented. Some concerns were expressed for any prescribed requirements in such a changing environment. One Member expressed the need to further specify the terminology of "green investments".

EIOPA welcomes this initiative of the Commission on a topic that is very relevant for long-term investors. There are various ways to reflect ESG factors, for instance via public disclosure or stress testing or scenario analyses. To a certain degree, specific requirements would need to be defined in order to allow proper supervision.

Conclusion/Action:

- OPSG to further analyse the [European Commission action plan on sustainable finance](#) with a focus on investor (or fiduciary) duties and the role of the ESAs.
- Fieke van der Lecq (topic owner) to coordinate OPSG reactions to the Commission's action plan.

8. 2017 IORP Stress Test

OPSG member Stefan Nellshen (topic owner), presented the main messages (see link to presentation [here](#)) of the OPSG Position Paper on the EIOPA Occupational Pensions Stress Test 2017. Members agreed with EIOPA that National Competent Authorities should have sufficient powers to require IORPs to participate in European Stress Tests in view of last year's low participation rate in some countries. However, funding shortfalls in the baseline scenario are predominantly caused by one country, the double-hit adverse market scenario is not very realistic and the common balance sheet methodology is not fit for purpose. OPSG welcomes EIOPA's intention to elaborate the cash-flow analysis that should in due time replace the common balance sheet valuations.

EIOPA staff reiterated its concerns about the vulnerabilities made transparent by the stress test. Substantial shortfalls of Defined Benefits IORPs would have to be counterbalanced by benefit reductions and/or sponsor support with subsequent impacts on the real economy. There is danger that these vulnerabilities are not addressed in a timely fashion, thereby putting a disproportionate burden on future generations. In EIOPA's view, cash-flow analysis and balance sheet valuations can supplement each other, instead of being mutually exclusive. EIOPA staff stated that ESG risks cannot be ignored in the next stress test given the report of EU HLEG on sustainable finance, the proposals in the ESAs review and the new requirement in the IORP II Directive.

OPSG Members welcomed the Position Paper. One Member mentioned that he was unpleasantly surprised seeing the very low participation rate in his country. He reminded that stress tests play an important role in protecting the public. This Member also concurred with the OPSG's view that a coverage target of 50% of assets is easy to reach in his country with a dozen pension schemes, yielding, however, an unrepresentative sample by excluding smaller IORPs.

The OPSG Chair concluded that the Position Paper takes the debate forward by providing a solid basis for further discussion.

Conclusion/Action:

- Invitation to attend EIOPA events on 21 March 2018: "stakeholder meeting on cash-flow analysis" and "2017 IORP Stress Test Closing Event" was extended to OPSG Members.
- Stefan Nellshen (topic owner) to present the OPSG Opinion at EIOPA IORP Stress Test 2017 Closing event.

9. IORP II implementation

OPSG member Francesco Briganti (topic owner) commented on EIOPA's envisaged role to provide guidelines and opinions for the implementation of IORP II. Hereby, he focussed on IORP II's provisions regarding cross-border transfers.

EIOPA staff presented (see link to presentation [here](#)) EIOPA's mandated work to facilitate an efficient implementation of IORP II with a particular focus on transparency (information to members and beneficiaries), governance (investments/ SIPP and risk evaluation), cooperation between NCAs for cross-border IORPs and the consideration of ESG factors.

Conclusion/Action:

- Francesco Briganti (topic owner) to submit revised draft of the OPSG Feedback Statement on the Implementation of the IORP II Directive for final comments.