

Summary of Conclusions

Occupational Pensions Stakeholder Group (OPSG)

Eleventh meeting

Date: 3 May 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 Alviniussen, Janwillem Bouma, Tomas Bern, Paul Brice, Francesco Briganti, Lukasz Budzynski, Charlotta Carlberg, Alexandru Ciuncan, Paul Cox, Laure Delahousse, Zdeněk Hustak, Paul Kelly, Senka Fekeža Klemen, Michaela Koller, Damien Lagaude, Sonia Maffei, Marianne Moscoso Osterkorn, Philip Neyt, Kevin O'Boyle, John O'Quigley, Michael Reiner, Ján Šebo, Falco Valkenburg and Fieke van der Lecq.

Not present: Stefan Nellshen, Raimond Maurer, Claudia Menne, Guillaume Prache.

EIOPA: Gabriel Bernardino (Chairman), Manuela Zweimueller (Head of Policy Department), Justin Wray (Head of Insurance Policy Unit and Deputy Head of Policy Department), Sandra Hack (Pensions Team Leader), Ursula Bordas (Consumer Protection Department), Carine Pilot-Osborn (Policy Department), Giulia Conforti (Policy Department), Katharina Strohmeier (Corporate Affairs Department), Florian Ouillades (Corporate Affairs Department).

European Commission (DG FISMA): Steve Ryan (via telephone conference), Violeta Ananieva-Schneider.

1. Approval of the agenda

Conclusion/Action:

- The draft agenda (EIOPA-OPSG-18-06) was approved.

2. Update by the OPSG Chair

The OPSG Chair reviewed outstanding deliverables in the OPSG Work Programme.

Conclusion/Action:

- OPSG Chair to ask Raimond Maurer whether he can present an updated draft of the OPSG Feedback Statement on best solutions for pay-out arrangements at the next OPSG meeting on 4 July 2018.
- Leaders of Work Stream/Working Parties to submit by 14 May 2018 their contributions to the OPSG Activity Report.

3. Update by the EIOPA Chair

EIOPA Stress Test closing event on 21 March 2018

The Chairman welcomed the comments made by stakeholders at the closing event of the stress test, and in particular their preference for a cash flow only analysis. EIOPA is supportive of deepening the analysis of illiquidity effects and enhancing the cash flow analysis. Yet it is unclear how a cash flow analysis can be interpreted without a balance sheet analysis. EIOPA will further engage with stakeholders and exchange views on this topic and also on how climate change risks can be introduced in the upcoming stress tests.

Sustainable Finance

The topic is on the agenda of the EIOPA Strategy Day and Annual Conference. EIOPA is closely involved in the implementation of the action plan of the European Commission. EIOPA is currently gathering evidence from stakeholders to better understand the impact of sustainable finance on financial stability and on the fiduciary duty of the insurer. The work of supervisors in this field should be prioritised to bring added value. A Roundtable takes place on 20 June 2018 at EIOPA.

Renewal of the Stakeholder Groups

The tentative date for a decision by the Board of Supervisors on the composition of the two new Stakeholder Groups is end of June 2018.

High-level expert group (HLEG) on Pensions

EIOPA is a member of this group set up by the European Commission's DGs for Employment, Social Affairs and Inclusion and for Financial Stability, Financial Services and Capital Markets Union. The task of the HLEG is to deliver policy advice to the Commission on matters related to ways of improving the provision, safety through prudential rules, intergenerational balance, adequacy and sustainability of occupational and personal pensions in light of the challenges in the Union and the Member States affecting the adequacy of old age incomes and the development of the Union's pension market.

Solvency II Review:

EIOPA submitted two sets of advice to the Commission covering a number of proposals. One proposal is to create a new asset class for non-listed guarantees issued by regional governments and local authorities to ensure improved risk-sensitivity of the calculations. Another proposal suggests to deal with the material differences in calculating expected future profits.

EIOPA is also involved in the overall review of the regime, including the treatment of long-term guarantees (LTG) due by 2021. EIOPA will study possible adjustments to the regime to allow for long-term transparent retirement savings products, for the benefit of consumers and the whole economy. One of the identified challenges is to mitigate an increased exposure to illiquid investments.

Supervisory Convergence Plan

In April 2018 EIOPA published a supervisory convergence plan 2018-2019 in a steady transition from regulation to supervision. The intention in the middle term is to enlarge the plan to pensions. EIOPA's Chairman welcomed input from Members to achieve better supervisory convergence.

EIOPA is developing a Supervisory Handbook with the National Competent Authorities (NCAs). The Authority has implemented a series of tools, such as cross-border cooperation platforms, to have more productive engagement with national supervisors, even challenging supervisory practices.

EIOPA's interdepartmental group on Brexit

EIOPA's Chairman mentioned the work EIOPA's interdepartmental group on Brexit. He encouraged Members to give input related to the impact on consumers of the withdrawal of the UK from the EU.

Conclusion/Action:

- Secretariat to send as soon as possible invitation to Roundtable on Sustainable Finance on 20 June 2018.

4. Update by the European Commission (COM)

Implementation of IORP II

The second Transposition Workshop on IORP II takes place in June 2018. The issues discussed relate to the scope of the Directive and include definitions, registration requirements, Cross-border provisions, Quantitative requirements and Investment rules.

Pan-European Personal Pensions initiative (PEPP)

COM updated Members about the negotiations on the PEPP. On 19 March 2018 MEP Sophia in't Veld, ECON rapporteur, presented a draft report in ECON. The aim is to reach a general approach by the end of June. Trilogues are envisaged to start in autumn 2018. The European Commission has proposed that also IORPs can offer a PEPP and COM supports the idea.

Sustainable Finance action plan

The Commission suggested a series of measures in its Action Plan for a greener and cleaner economy. However the Action Plan does not focus so much on Pensions. One of the upcoming tasks is to clarify the duty of asset managers and institutional investors to take sustainability into account in their investment process and enhance disclosure requirements. COM is to set up a technical expert group on sustainable finance.

Conclusion/Action:

- Members to take note of the Commission decision on setting up a HLG on pensions

5. ESAs Review

Members discussed various aspects in the COM proposal such as the role and mandate of the Stakeholder Groups (SHGs), the powers and tools, the supervisory architecture of the ESAs, their funding and budget, etc.

The EIOPA Chairman took note of the draft. He underlined the positive experience gained with the Stakeholder Groups especially in view of their knowledge, expertise and unique membership structure. He underlined the existing accountability mechanisms of EIOPA towards the European Parliament and, to a certain extent to the Council. As regards the legal oversight over EIOPA, he referred to the Board of Appeal, which has been responsible to assess whether the ESAs act within their mandate. He stressed that the OPSG enjoys, in the current configuration, a great level of engagement and insight into EIOPA's work.

Members expressed strong concerns if the group were to exercise an oversight function as it is ill-equipped to do so. They agreed about the importance of a close dialogue in the current format. However, some members stressed that the role of the Stakeholder Group should be further analysed as governance structure of the ESAs evolves.

Conclusion/Action:

- Michaela Koller (Topic Owner) to review draft OPSG opinion based on the comments received at the meeting. Priority should be given to the finalisation of the OPSG opinion. Annexing the Joint letter of the ESAs Stakeholder Groups (SHGs) to the OPSG opinion would be important. In order to achieve this, the other SHGs should allow more time to finalising the joint letter.

- Members to take note of EIOPA Management Board Decision on reimbursement of travel and subsistence expenses for external persons, which provides “Compensation [...] to members of the Stakeholder Groups representing non-profit organisations, excluding industry representatives” Art. 37(5).

6. Sustainable Finance

Fieke van der Lecq (OPSG) presented the draft OPSG Feedback Statement on the Action Plan on sustainable finance recently published by COM. Members discussed some challenges in the plan such as:

- The establishment of an EU-wide taxonomy that includes Environmental factors, and in particular also Social and Governance factors (ESG),
- The practical difficulties of engaging scheme members to reflect their ESG preferences in IORPs’ investment decisions in addition to considering potential differences between Defined Benefits and Defined Contribution.

Conclusion / Action:

- Members to take note of Fieke van der Lecq’s slides and of COM Action Plan on sustainable finance.
- OPSG Feedback Statement on COM Action Plan to be adopted by written procedure within two months.

7. Threats to the pension funds system in a changing working world

Damien Lagaude presented – see link to presentation [here](#) - an overview of the challenges pension systems face, ranging from increased life expectancy and low birth rates to changes in the way people work: increased mobility, unconventional/broken careers and a significant gender gap.

Conclusion/Action:

- Members to take note of COM 2018 Pensions Adequacy Report.
- Members to take note of Damien Lagaude’s annotated presentation slides.
- Content of presentation and comments received to be taken into consideration when drafting the “OPSG Position Paper on funded pensions contribution to growth and employment”, which will be presented in the next OPSG meeting on 4 July 2018 by Janwillem Bouma (Topic Owner).

8. Safety of private pension provision

Michaela Koller presented – see link to presentation [here](#) - certain aspects of the PEPP proposals with the objective of building consumer trust. She highlighted the importance of the default investment option being cost-efficient, transparent and incorporating the safety of financial guarantees.

Conclusion/Action:

- Content of presentation and comments received to be taken into consideration when drafting the “OPSG Position Paper on funded pensions’ contribution to growth and employment”, which will be presented in the next OPSG meeting on 4 July 2018 by Janwillem Bouma (Topic Owner).

9. IORP II implementation

EIOPA welcomed the OPSG position paper on the IORPII Implementation.

Pension Benefit Statement (PBS)

EIOPA staff presented – see link to presentation [here](#) – on-going EIOPA work on the Pension Benefit Statement (PBS), which focuses on four areas: Goal, Layering & Layout, Projections, and Costs. The aim is to produce an EIOPA report on key principles and best practices, capturing the criteria for success of a PBS. Progress on the PBS work will be presented at the next OPSG meeting. After the summer, an EIOPA Project Group will work on the other information documents.

Members were invited to share good market practices and additional recommendations. They welcomed the work on the PBS and that EIOPA's report will be based on good practices. They highlighted that the PBS is one of the tools needed to plan for retirement, as benefits from other pension pillars and financial sources need to be taken into account.

Projection should be linked to the member's expenses expectations in retirement. Members asked whether the projections should cover only the accumulation (lump sum) or also the pay-out phase (projected annuities). Members welcomed the inclusion of layered information to avoid an overload (existing best practice in the Netherlands). In addition to the legal requirements, the PBS could raise awareness about the risks of withdrawing the savings before retirement, for instance by providing information on the tax implications. Comparability should be ensured between the PBS and annual statements provided by occupational pensions not provided by IORPs, such as provided by insurance undertakings. Members stressed that to have an impact, EIOPA's report should be published as soon as possible.

Conclusion/Action:

- OPSG Members to provide input to EIOPA on the break-down of costs from a consumer perspective.
- EIOPA to send a request for informal feedback to the OPSG with a deadline of 25 May 2018 on existing (good) market practices and IORPs' challenges to the effective implementation of the IORP II Directive.

10. EIOPA's Pensions Data project

EIOPA staff presented – see link to presentation [here](#) – the published reporting requirements on pensions information, addressed to National Competent Authorities (NCAs). The OPSG feedback on the public consultation launched was very helpful in designing a proportionate, streamlined package to fulfil EIOPA's data needs. Members were content with the presented solutions, the close alignment with the ECB's requirements, together with the transitional arrangements and the proportionate approach for smaller IORPs, as well as the use of XBRL.

Conclusion/Action:

- Not applicable

11. Review of the Budapest Protocol

EIOPA staff presented the review – see link to presentation [here](#) – thanking Members for their recent feedback and highlighted areas where OPSG feedback would be taken on board. EIOPA staff provided clarification on the scope of the BoS Decision which, as a legal text, seeks to foster the cross-border collaboration between NCAs. The BoS Decision must therefore comply with the cross-border procedures set in Articles 11 and 12 of the IORP II Directive and also respect national administrative procedures which differ between Member States. OPSG Members welcomed the clarification and will consider providing any final comments on the templates.

Conclusion/Action:

- Members to take note of presentation slides.
- Deadline for Members to give feedback on the templates is extended to 31 May 2018.

12. AOB

Conclusion/Action:

- Members are invited to join a farewell get-together on 3 July 2018 at 19:30 CEST (location tbc).