

Summary of Conclusions

Occupational Pensions Stakeholder Group (OPSG)

Twelfth meeting

Date: 4 July 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, Charlotta Carlberg, Alexandru Ciuncan, Paul Cox, Laure Delahousse, Senka Fekeža Klemen, Michaela Koller, Damien Lagaude, Sonia Maffei, Marianne Moscoso Osterkorn, Stefan Nellshen, Philip Neyt, Kevin O'Boyle, John O'Quigley, Guillaume Prache, Michael Reiner, Ján Šebo, Falco Valkenburg, Fieke van der Lecq.

Not present: Lukasz Budzynski, Zdeněk Hustak, Paul Kelly, Raimond Maurer, Claudia Menne.

EIOPA: Gabriel Bernardino (Chairman), Fausto Parente (Executive Director), Manuela Zweimueller (Head of Policy Department), Justin Wray (Head of Insurance Policy Unit and Deputy Head of Policy Department), Sandra Hack (Risks and Financial Stability Department), Ursula Bordas (Consumer Protection Department), Carine Pilot-Osborn (Policy Department), Giulia Conforti (Policy Department), Florian Ouillades (Corporate Affairs Department).

EIOPA National Competent Authorities (NCAs): Olaf Sleijpen (DNB, NL).

European Commission (DG FISMA): Nico Spiegel

1. Approval of the agenda

Conclusion/Action:

- The draft agenda (EIOPA-OPSG-18-14) was approved.

2. Update by the OPSG Chair

Conclusion/Action:

- OPSG Position Paper on “solutions to protect consumer outcome in personal pensions” to be removed from the work programme.

3. Update by the EIOPA's Executive Director

Renewal of EIOPA's Stakeholder Groups

EIOPA is in the process of finalising the selection procedure. The Board of Supervisors appointed on 28 June the new OPSG Members. EIOPA is now reaching out to all candidates to communicate about the outcome. EIOPA thanked Members for their support and noted that more applications were received, especially from beneficiaries, compared to the previous campaigns. Details about the composition of the new group and statistics of the applications have been published and are available [here](#).

EIOPA' Strategy Day (29-30 May 2018 in Sofia)

At the EIOPA strategy Day the Board of Supervisors (BoS) members had fruitful discussions prompted by input from external speakers. The two topics discussed were sustainable finance and supervisory convergence. BoS Members confirmed their commitment to EIOPA's upcoming work on sustainable finance and to the existing EIOPA supervisory convergence tools in view of their proper implementation by NCAs. The BoS approved on 28 June EIOPA's action plan on sustainable finance, which builds on the outcome of the Strategy Day and on the Commission's recent legislative proposals.

Joint ESAs Consumer Protection Day 2018 (22 June 2018 in Lisbon)

The joint ESAs Consumer Protection Day 2018 was a successful event, with good speakers and exchange of views on how to facilitate an internal market for retail financial products with simple products and conduct rules. After a video address by Eurogroup President Mario Centeno, three panels: on net performance, virtual currencies, and self-placement rounded off the day. EIOPA was very pleased by the fact, that the event was very well attended by many consumer representatives.

Preparations for 2019 IORP Stress Test

The EIOPA BoS agreed in June on the outline for the 2019 IORP Stress Test (ST) approach, as supported by OPSG and other stakeholders. The ST aims at a higher market coverage. The Test is expected to incorporate a cash flow analysis, which EIOPA will discuss with interested stakeholders. The 2019 exercise also looks into environmental, social and corporate governance (ESG) and climate-related risks.

One OPSG Member acknowledged the difficulty to have a quantitative approach on ESG factors and urged to look beyond climate-related risk. The Executive Director stressed that EIOPA is fully committed to include Social and Governance aspects in the discussions.

Budapest Protocol:

After a year-and-a-half of exchange with the OPSG, the revised text of the Budapest Protocol, relating to the Collaboration of NCAs on the Activities and Supervision of IORPs Operating Cross-Border, was adopted by EIOPA's Policy Steering Committee. EIOPA is carrying out a final legal check on the text. The OPSG will receive the text when the final version of the Protocol will be ready.

Conclusion/Action:

- IORP Stress Test and Budapest Protocol to be considered as agenda items for discussion at the meeting of the new OPSG on 17 October 2018.

4. Update by the European Commission (COM)

Pan-European Personal Pension Products (PEPP)

The European Council gave a PEPP negotiation mandate to COM, and the Austrian Presidency showed strong enthusiasm and willingness to lead and finish the PEPP negotiations by the end of this year. The EP Committee on Economic and Monetary Affairs (ECON) is working on its report. Unfortunately, the vote has been postponed until September. COM hopes trilogue to start soon after. The role of EIOPA in the authorisation process of PEPPs will be a very important question that will be discussed during the trilogue. COM expressed regrets about Member States' (MS) pushback on this aspect in the context of the review of the ESAs. COM pointed at the importance of EIOPA's quality label for the PEPP product particularly for MSs with regions with

low pensions supply levels. COM referred to consumer reports signalling the importance of having a European label as a catalyst for PEPP development and success in such regions. COM also advocated for PEPP portability to be ensured through the opening of national compartments when a PEPP savers change residence within the EU. COM also highlighted that stakeholder feedback at various fora recognises that PEPP is the flagship initiative of the CMU, which makes it crucial to get it right.

The OPSG Vice Chair mentioned the OPSG position adopted on PEPP. Members agreed that by authorising PEPPs, EIOPA could contribute to the creation of a true internal market for PEPPs and ensure that high-quality standards are maintained for the PEPP label across the EU. However, it will be essential that EIOPA mobilize enough resources to undertake this new responsibility. Moreover, EIOPA and NCAs would have to agree on clear and detailed cooperation procedures. EIOPA's Executive Director confirmed that EIOPA is ready to undertake this new role.

COM also confirmed that a good degree of capital protection should be provided, in particular for the default option. COM recognized the need to find a suitable compromise. The same will be true for the forms of out-payments for the decumulation phase.

IORP II transposition workshops

COM reported on the two IORP II transposition workshops, which took place in 2018 (January and July). Some Member States have timing problems but most will be ready by end of 2018. COM mentioned that a summary of questions by EU MSs could be published on COM website. A discussion on the issue of outsourcing of key functions followed, where a distinction was made between the function holder and implementer. COM informed that there will be an additional expert group on cross border issues.

High-level Expert Group (HLEG) on Pensions:

This group was created to enhance second- and third-pillar savings and share best practice on cross-border business. A second, more technical group is to be formed at a later stage to draw up a report with concrete policy recommendations. The aim of the advice by the HLEG on pensions is threefold. It should promote the provision of supplementary pensions; ensure adequate, sustainable, secure and intergenerationally balanced pension systems; and support the European capital market and economy. EIOPA Policy Department staff will attend the first meeting in September 2018 as a member of the HLEG.

Conclusion/Action:

- n/a

5. OPSG Activity Report

The OPSG Chair led the discussions about the content and the style of the Activity Report of the group, which should be drafted and adopted before the end of the group's term. Members agreed on the fact that the document should be reader-friendly and highlight conclusions and recommendations. The Report should also aim at providing a good background document for the forthcoming new OPSG.

Conclusion/Action:

- Members to send their final contributions for the OPSG activity report by 20 July 2018. The report shall be streamlined (i.e. include only introduction and recommendations) and further shortened.

- The section with recommendations should reflect comments made at the meeting. Report to include also ancillary OPSG work undertaken on topics that did not result eventually in formal advice by the Group.
- EIOPA invited to add a section to explain whether/how EIOPA has taken the group advice into account.
- Secretariat to organise, if needed, a conference call to finalise the report.

6. Best solutions for pay-out arrangement

The OPSG Chair presented a proposal drafted by Raimond Maurer (see link to document [here](#)), which stresses the importance of the payout phase for personal pension programmes. The various key factors for optimal payout solutions were further discussed. One Member referred in this respect to the recent Geneva Association's publication on annuitisation.

EIOPA's Chairman stressed the need for innovation in this sector and the fact that payout arrangements should focus on securing a stable income for the most vulnerable tier of society. He also recognized the need to take into account the personal situations of individuals and to make a distinction between a savings and a pension product.

Conclusion/Action:

- Members appreciated very much the quality of the draft and the overview of the relevant pay-out options.
- Members agreed that there is no perfect solution, as options depend on many societal and individual variables in the Member States. Thus, the OPSG is not in a position to make any recommendations or suggestions about best options. What would be possible is to make an analysis of the pros and cons of the different types of pay-out solutions. However, Members agreed that it would be difficult to undertake this complex analysis over the course of the summer.
- Nevertheless, it is valuable to report on the work done on the framework of possible options and to outline their pros and cons.

7. COM Action Plan on Sustainable Finance

The OPSG Chair introduced the draft OPSG comments on the Commission's legislative package (see link to presentation [here](#)) implementing the sustainable finance action plan. He focussed on the areas of taxonomy, disclosure, and fiduciary duty. In the discussion that followed, the following points were made: on taxonomy, it appears essential to develop the social and governance aspects at the same time as the environmental aspects. One Member raised concerns that a taxonomy would fail if it did not have any social dimension. Another Member questioned the conclusion that specific investments should not be favoured.

EIOPA's Chairman noted the disadvantages of a taxonomy, which would be too binary in nature. The immediate exclusion of certain assets could have adverse financial stability implications.

Conclusion/Action:

- Members agreed that the current text was a very good basis for the final opinion.
- Matti Leppälä (topic owner) to resubmit, for comments (i.e. not yet adoption), the final draft with the support of Charlotta Carlberg and Fieke van der Lecq.
- OPSG Position Paper to be adopted before the end of mandate on 3 September 2018.

8. Funded pensions contribution to growth and employment

Janwillem Bouma presented the approach and structure of the OPSG draft (see link to presentation [here](#)). Aim is not to have a policy paper but rather to identify trends and challenges, taking stock of the various criteria for a funded pension fund. EIOPA welcomed the opportunity to discuss risk-sharing mechanisms with Members, as well as any considerations on how technology can make pensions simpler.

Conclusion/Action:

- Janwillem Bouma (topic owner) to narrow down the scope of the paper and submit a draft with the support of Michaela Koller, Francesco Briganti, Bernard Delbecque, and Matti Leppälä.
- OPSG Position Paper to be adopted before the end of mandate.

9. IORP II implementation – EIOPA projects

EIOPA staff reported (see link to presentation [here](#)) on how EIOPA took OPSG's input into account. EIOPA thanked OPSG members for their contribution following the call for input requesting concrete examples and market practices in relation to the Statement of Investment Policy Principles (SIPP), approaches to Environmental, social and governance (ESG) factors and IORPs' operational risk assessment.

EIOPA staff also presented how the goal of Pension Benefit Statement is translated into content (accumulated amounts, pension protections, information on other contributions) and the proposed layouts of this document for to pensions savers.

Conclusion/Action:

- EIOPA to engage with members on implementation of governance and risk assessment once further progress has been made in the autumn.
- Members to take note of EIOPA's presentation on the Pension Benefits Statement (see [attached](#)).
- EIOPA to share in July 2018 a summarised Pension Benefits Statement (PBS) report with OPSG comments for comments.