



EIOPA-BoS-16-170
30 September 2016

Peer Review of the Statement of Investment Policy Principles for IORPs Publication of Outcomes

Table of Contents

EXECUTIVE SUMMARY	3
1. SCOPE AND APPROACH.....	6
1.1. Scope of the peer review	6
1.2. Approach to the peer review	9
2. INDIVIDUAL ANALYSIS.....	10
2.1. Characteristics of actual cases.....	10
2.2. Assessment criteria	11
2.3. Recommended actions to NCAs	12
3. COMPARATIVE ANALYSIS	14
3.1. Background on national legal / regulatory frameworks	14
3.2. Preparation and approval of the SIPP	15
3.3. Content of the SIPP	17
3.4. Use of the SIPP as a supervisory tool.....	22
3.5. Use of the SIPP as a disclosure tool	30
3.6. Key conclusions from the comparative analysis	31
4. BEST PRACTICES	35
4.1. Approach to identify best practices.....	35
4.2. List of identified best practices	35
5. CONCLUSIONS.....	39
5.1. Impact on supervisory culture.....	40
5.2. Recommended actions to EIOPA.....	41
5.3. Follow-up measures	44
ANNEX - KEY CHARACTERISTICS OF ACTUAL CASES	45

Executive Summary

As long-term investors, occupational pension funds should in theory withstand short-term market volatility. However, a persistently low interest rate environment, economic uncertainty since the 2008 financial crisis and demographic changes e.g. increased longevity have increased pension liabilities and under-funding issues of pension schemes providing some level of guarantee to members and beneficiaries. Likewise, the low interest rate environment adversely impacts on pension scheme members who are fully exposed to risks through lower returns during the accumulation phase and falling annuity rates at the point of decumulation, especially if annuitisation is (semi-)mandatory.

In Defined Benefit (DB) and hybrid pensions, financial market and longevity risks are shared to different degrees by the sponsor, members and beneficiaries, pension protection schemes and the Institution of Occupational Retirement Provisions (IORP). The level of risk sharing differs across Member States. These pensions provide employees with a defined level of pension, subject to market developments and how the risks are shared across the stated parties. In contrast, members of 'pure' occupational Defined Contribution (DC) pensions are fully exposed to these risks at least during the accumulation phase.

In this context, developing suitable investment policies that account for the membership structure, nature and duration of liabilities (when applicable) as well as specify return objectives and risk appetite has become even more of a necessity to ensure that DB pension promises are kept and good returns with appropriate levels of risk are delivered to occupational DC members.

As a result, a peer review on IORPs with respect to the supervisory practices on the Statement of Investment Policy Principles (SIPP) was launched in 2015 with a total of 27 National Competent Authorities (NCAs).

Directive 2003/41/EC ("IORP Directive") introduced a new requirement on IORPs to prepare and review at least every 3 years a SIPP describing their investment strategy in addition to empowering National Competent Authorities (NCAs) to request the SIPP should they decide to use it as part of fulfilling their supervisory duties. IORPs must also provide the SIPP to members and beneficiaries upon their request.

The peer review's objectives were to gain a better understanding of the extent to which NCAs use the SIPP primarily as a supervisory tool and as a tool for disclosure purposes, explore what associated supervisory practices NCAs put in place and identify the scope for promoting supervisory convergence, including through the identification of best practices.

The peer review's analysis found that:

- The majority of Member States have implemented national measures in supplement to the relevant provisions of the IORP Directive, mainly in relation of the structure and content of the SIPP, the management of the investment function and the persons responsible for preparing and approving the SIPP.
- In nearly all Member States, there was no obligation for IORPs to prepare a document similar to the SIPP prior to the IORP Directive which also introduced for many a new requirement on risk management.
- In the majority of cases, the Management Board, whose members are also required to have minimum knowledge and experience with respect to the investment policy, is responsible for approving the SIPP.

- The SIPP comes in all shapes and sizes. The extent to which SIPPs are structured in a similar way depends on the level of content prescribed in the national measures.
- Primarily used as a supervisory tool, the way and extent to which NCAs use the SIPP vary greatly as summarised in Figure 1. All things equal, the characteristics of the occupational pension sector (e.g. size, nature and types of occupational pensions) inherently linked with the NCA's chosen supervisory approach (e.g. risk-based supervision) tend to explain differences and similarities in the use of SIPP between NCAs.
- 8 Member States promote the transparency of the investment policy through the mandatory publication of the SIPP, for instance on the IORP's website - a requirement which the IORPII Directive is set to introduce. In 5 Member States, IORPs are required to actively disclose the SIPP to (some) members.
- When mainly used in supervision, most NCAs agree that the document is expected to contain detailed quantitative and qualitative information. When used in parallel as a disclosure document to members, 3 NCAs reported that striking the right balance between receiving sufficient technical content for NCAs to fulfil their supervisory duties and making the document understandable to members can be challenging. One NCA did not report such issue. Because the NCA uses other supervisory tools alongside the SIPP to verify compliance of IORPs' investment policy, the SIPP content can be limited to the minimum disclosure requirements set in national measures which consider how to communicate the investment policy to members. More detailed information can be placed in other supervisory documents the NCA requests from IORPs to verify their compliance with the investment policy.

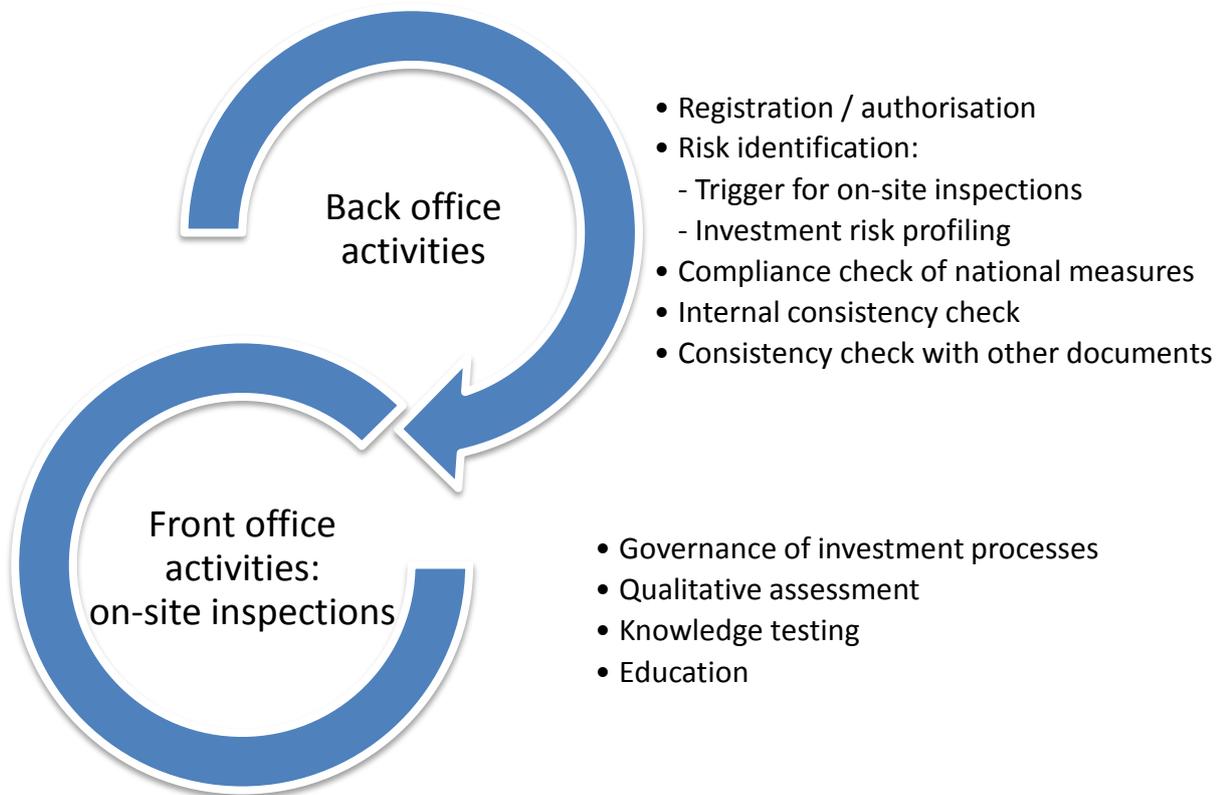
Given the heterogeneity of the European occupational pension landscape and minimum harmonisation requirements set in the IORP Directive on the content and possibility to use the SIPP in supervision, the diversity both in terms of the content and application of the SIPP as a supervisory tool comes as no surprise. It also suggests scope for further promoting and achieving greater supervisory convergence. This peer review identified 8 best practices to inspire developments in supervisory practices in relation to supporting IORPs on the SIPP content (1 best practice), implementing more effective processes for compliance verification (3 best practices) and using the SIPP in risk identification (4 best practices).

The peer review identified the need for further work in 3 areas to be considered in the context of the IORPII Directive¹. In order to further promote supervisory convergence at an early stage, the first 2 recommended actions to EIOPA would entail providing some guidance on the structure and content of the SIPP as well as its role and interaction with other (new) supervisory tools to be introduced by the IORPII Directive. With regard to the third recommended action, EIOPA would conduct further work on whether and how new information disclosure requirements set in the IORPII Directive could help improve the communication of the investment policy to occupational DC members who are directly affected by the latter due to their full exposure to investment risk during the accumulation period.

¹ Pending its final adoption.

During the peer review, 3 recommended actions were issued to 1 NCA with regard to improving the effectiveness of supervisory practices and considering the administrative burden on IORPs in relation to the SIPP.

Figure 1: Overview of the various uses of the SIPP in supervision in the EEA



1. Scope and approach

1.1. Scope of the peer review

1.1.1. Relevant provisions of the IORP Directive

This peer review assesses the application of Article 12 of Directive 2003/41/EC on the "Statement of Investment Policy Principles" (SIPP).

Article 12

Statement of Investment Policy Principles

Each Member State shall ensure that every institution located in its territory prepares and, at least every three years, reviews a written statement of investment-policy principles. This statement is to be revised without delay after any significant change in the investment policy. Member States shall provide that this statement contains, at least, such matters as the investment risk measurement methods, the risk-management processes implemented and the strategic asset allocation with respect to the nature and duration of pension liabilities.

Due to the links with the SIPP, the drafting of the terms of reference and questionnaire design has also taken into account the following legal provisions of that directive.

Article 11

Information to be given to members and beneficiaries (paragraph 3)

The statement of investment policy principles, referred to in Article 12, shall be made available to members and beneficiaries and/or, where applicable, to their representatives on request.

Article 13

Information to be provided to competent authorities

Each Member State shall ensure that the competent authorities, in respect of any institution located in its territory, have the necessary powers and means:

...

(c) to obtain regularly the statement of investment-policy principles, the annual accounts and the annual reports, and all the documents necessary for the purposes of supervision. These may include documents such as:

...

(iv) evidence of consistency with the investment-policy principles;

...

Article 9

Conditions of operation

(paragraph 1b)

Each Member State shall, in respect of every institution located in its territory, ensure that:

...

(b) the institution is effectively run by persons of good repute who must themselves have appropriate professional qualifications and experience or employ advisers with appropriate professional qualifications and experience;

...

Article 4

Optional application to institutions covered by Directive 2002/83/EC

Home Member States may choose to apply the provisions of Articles 9 to 16 and Articles 18 to 20 of this Directive to the occupational-retirement-provision business of insurance undertakings which are covered by Directive 2002/83/EC. In that case, all assets and liabilities corresponding to the said business shall be ring-fenced, managed and organised separately from the other activities of the insurance undertakings, without any possibility of transfer. In such case, and only as far as their occupational retirement provision business is concerned, insurance undertakings shall not be subject to Articles 20 to 26, 31 and 36 of 2002/83/EC Directive. The home Member State shall ensure that either the competent authorities, or the authorities responsible for supervision of insurance undertakings covered by Directive 2002/83/EC, as part of their supervisory work, verify the strict separation of the relevant occupational retirement provision business.

Article 5

Small pension institutions and statutory schemes

With the exception of Article 19, Member States may choose not to apply this Directive, in whole or in part, to any institution located in their territories which operates pension schemes which together have less than 100 members in total. Subject to Article 2(2), such institutions should nevertheless be given the right to apply this Directive on a voluntary basis. Article 20 may be applied only if all the other provisions of this Directive apply. Member States may choose not to apply Articles 9 to 17 to institutions where occupational retirement provision is made under statute, pursuant to legislation, and is guaranteed by a public authority. Article 20 may be applied only if all the other provisions of this Directive apply.

Article 18

Investment rules

(paragraph 4)

Without prejudice to Article 12, Member States shall not subject the investment decisions of an institution located in their territory or its investment manager to any kind of prior approval or systematic notification requirements.

Recital 24

The investment policy of an institution is a decisive factor for both security and affordability of occupational pensions. The institutions should therefore draw up

and, at least every three years, review a statement of investment principles. It should be made available to the competent authorities and on request also to members and beneficiaries of each pension scheme.

Recital 31

Institutions are very long-term investors. Redemption of the assets held by these institutions cannot, in general, be made for any purpose other than providing retirement benefits. Furthermore, in order to protect adequately the rights of members and beneficiaries, institutions should be able to opt for an asset allocation that suits the precise nature and duration of their liabilities. These aspects call for efficient supervision and an approach towards investment rules allowing institutions sufficient flexibility to decide on the most secure and efficient investment policy and obliging them to act prudently. Compliance with the 'prudent person' rule therefore requires an investment policy geared to the membership structure of the individual institution for occupational retirement provision.

Whilst not directly assessed, this peer review took in account the provisions set in Article 18 of the IORP Directive. This is because Article 18 is an important legal provision setting out the "Investment rules" within the IORP Directive. When examining national supervisory practices, the peer review therefore considered the extent to which National Competent Authorities (NCAs) use the SIPP to check on IORPs' compliance with respect to the investment rules set out in Article 18 of the IORP Directive.

Member States with IORPs were under the scope of this peer review. Furthermore, as in other previous peer reviews, Member States who chose to apply Article 4 of the IORP Directive to the occupational-retirement-provision business of insurance undertakings were also invited to participate in this peer review on a voluntary basis. In the remainder of the report, occupational pensions in these Member States will be described as "Article 4 ring-fenced funds" thereby referring to insurance undertakings that, through ring-fencing of assets (and liabilities), operate (part of) their occupational pension business under Article 4 of the IORP Directive of ring-fenced funds.

1.1.2. Definitions

In the self-assessment questionnaire, NCAs were requested to describe their relevant national measures with respect to the SIPP. According to the EIOPA Methodology for conducting peer reviews², "national measures shall be interpreted broadly and may include, for example: national law; national non-legally binding measures (e.g. national guidelines; rules; principles; internal procedures of Competent Authorities)". The peer review's assessment is based on the actual practices of NCAs and not on existing national measures only. In the context of this peer review, NCAs were asked to describe national supervisory practices for SIPPs (actual cases) they requested and/or received from IORPs and, if applicable Article 4 ring-fenced funds, over the reference period.

1.1.3. Reference period

Because the self-assessment questionnaire included a few questions on the timeliness with respect to the SIPP, the reference period for this peer review was set from **Q2**

² https://eiopa.europa.eu/Publications/Administrative/EIOPA_Methodology_Peer_Reviews_20160229_cl.pdf

2012 to Q2 2015, hence accounting for the three-year review period described in Article 12 of the IORP Directive.

1.2. Approach to the peer review

1.2.1. Objectives

The main objectives as described in the peer review's Terms of Reference are:

- to explore supervisory practice and promote common supervisory culture and convergence with respect to the SIPP and;
- to identify, where relevant, best practices in the development and use of the SIPP, primarily as a supervisory tool and as a tool for disclosure purposes.

1.2.2. Questionnaire

In light of these two objectives, the self-assessment questionnaire was designed to better understand:

- relevant national legal frameworks associated with the SIPP;
- who prepares and approves the SIPP;
- any content requirements in the SIPP;
- if and how the SIPP is used as a supervisory tool;
- if and how the SIPP is used as a disclosure instrument to members and beneficiaries.

When completing the self-assessment, NCAs were also prompted to indicate for which types of pension plans or products they received or requested actual cases of SIPP over the reference period using EIOPA's Database of Pensions Plans and Products in the EEA³. The identification of the types of pension plans/products using the EIOPA Database in scope for this peer review enabled the possibility to analyse, where relevant, if there were any differences or similarities in supervisory practices with respect to the SIPP that might be explained by the nature and type of occupational pensions e.g. Article 4 ring-fenced funds, Defined Contribution schemes.

³ <https://eiopa.europa.eu/regulation-supervision/pensions/database-of-pension-plans-and-products-in-the-eea>

2. Individual analysis

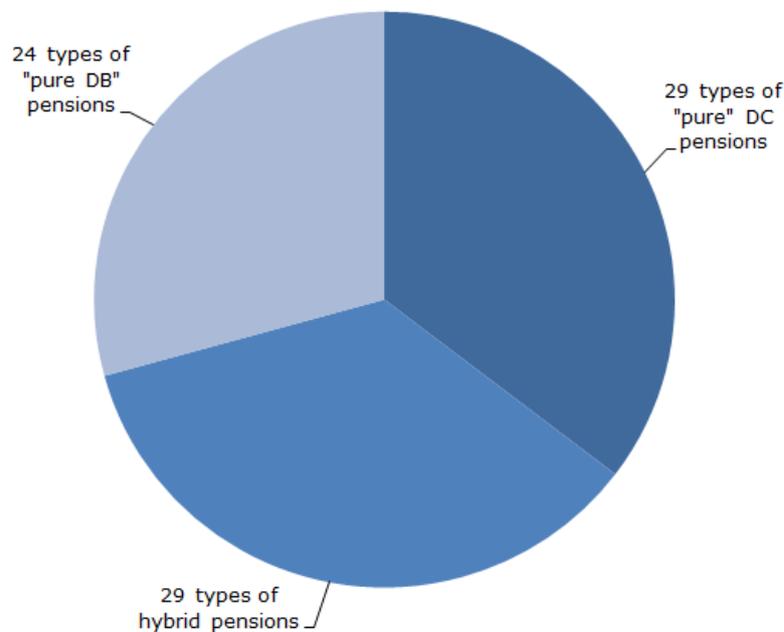
The peer review was carried out between Q3 2015 and Q3 2016. A total of 27 NCAs in 26 Member States were in scope for this peer review. Overall, 5 Member States were not assessed in this peer review because they did not have any IORPs or actual cases during the reference period. In addition to issuing a questionnaire for NCAs to complete, the peer review conducted 3 visits and 11 teleconference calls and requested further clarifications from 14 NCAs by written procedure.

2.1. Characteristics of actual cases

When assessing NCAs' supervisory practices, it is worth bearing in mind the characteristics of the occupational pensions they supervise in case NCAs put in place specific supervisory practices relating to the type of occupational pensions⁴ using the EIOPA Database for Pensions Plans and Products. The supervisory practices described in this report are based on a total of 82 types of occupational pensions reported by NCAs as actual cases in scope for this peer review over the reference period. The majority of occupational pensions reported as actual cases (68 out of 82) were effectively run by IORPs whilst the remaining 14 are classed as Article 4 ring-fenced funds.

Out of the 82 types of occupational pensions in scope for this peer review, 29 can be categorised as 'pure' DC schemes on the basis that their members have full exposure to investment risk. A further 24 occupational pension types can be classified as 'pure' DB schemes in the sense that their members have no exposure to investment risk. The remaining 29 types can be classed as hybrid schemes, which, for instance, include DC schemes with various forms and levels of guarantee.

Figure 2: Number of occupational pensions reported as actual cases in scope for this peer review by main type



⁴ For instance, a NCA may have put in place separate supervisory practices to account for differences in the supervision of DB and DC schemes that are characterised by different level of exposure to investment risk borne between sponsors and members.

In the context of this peer review, 21 NCAs reported actual cases for 'pure' occupational DC schemes. In 8 out of these 21 cases, NCAs' supervisory practices solely concerned IORPs running 'pure' occupational DC pensions. Similarly, 14 NCAs reported actual cases for 'pure' DB pension schemes. Supervisory practices in 2 NCAs only apply to IORPs administering 'pure' DB pensions. 12 NCAs supervise hybrid schemes that were in scope for this peer review.

Out of the 82 types of occupational pensions reported as actual cases in scope for this peer review, 49 referred to products / plans where scheme membership is either mandatory or semi-mandatory via automatic enrolment.

56 of the 82 types of occupational pensions reported as actual cases in scope for this peer review have specific requirements on the representation of both employers and employees in their governance arrangements. In contrast, 16 of the 82 types of occupational pensions in scope do not have any representation nor require representation from employers or members in their governance structure.

More detail on key characteristics relating to the 82 pension plans / products in scope for the peer review can be found in the Annex.

2.2. Assessment criteria

In line with the EIOPA Methodology on the conduct of peer reviews, the peer review developed some assessment criteria to identify the need or not to issue recommended action(s) to a NCA. Before setting the criteria used to assess the supervisory practices for each NCA, the limits of the peer review had to be first defined in terms of what could not be assessed. Since the relevant provisions of the IORP Directive do not require NCAs to either collect or use the SIPP in supervision, not requesting the SIPP from IORPs and Article 4 ring-fenced funds could not be a justification for a recommended action. Equally, not using the SIPP in supervision could not form the basis of a recommended action.

Instead, the peer review's assessment of national supervisory practices with respect to the SIPP was conducted based on the following assessment criteria:

Use of alternative supervisory tools to the SIPP - if the SIPP played little or no role in supervision, clarifications from relevant NCAs would be required⁵ to confirm if the latter use alternative supervisory tools as their main vehicle to identify and monitor risks associated with the investment policy and, if necessary, carry out compliance checks on IORPs / Article 4 ring-fenced funds, either in conjunction with or instead of the SIPP. On that basis, **the Review Panel would issue a recommended action if it identifies that the NCA did not have any supervisory practices in place to verify the compliance of IORPs / Article 4 ring-fenced funds with respect to the investment policy.**

Verification of relevant knowledge and experience with respect to the SIPP – if there is no specific requirement on relevant knowledge and experience of the persons responsible for preparing and/or approving the SIPP, clarifications from relevant NCAs would be requested on the legal obligations for the persons responsible for effectively running the IORP / Article 4 ring-fenced funds with respect to the SIPP and compliance with the investment policy. The peer review's assessment would also examine associated supervisory practices NCAs put in place to verify relevant knowledge and experience in relation to the SIPP and setting up

⁵ whilst having regard to the scope of the peer review and terms of reference

the investment policy of the IORP / Article 4 ring-fenced fund. On that basis, **the Review Panel would issue a recommended action if it identifies lacking supervisory practices seeking to verify the knowledge and experience on investment matters for the persons responsible for approving the SIPP and/or effectively running the IORP / Article 4 ring-fenced fund.**

Effectiveness – if NCAs used the SIPP in supervision, the peer review's assessment would consist of examining if the supervisory practices helped NCAs better understand the investment policy of the IORP / Article 4 ring-fenced funds, verify the compliance of IORPs/ Article 4 ring-fenced funds with regard to the investment policy, mitigate potential risks of non-compliance, operate more effectively, adapt more effectively to a fast-changing environment. On that basis, **the Review Panel would issue a recommended action if it identifies gaps, areas for improvement or obstacles associated with a specific supervisory practice which currently hinder the NCA in achieving the intended goals e.g. to effectively verify compliance or identify risks.**

Proportionality principle – if NCAs used the SIPP in supervision, the assessment would consist of checking if the supervisory practices in place did not add unnecessary administrative and/or regulatory burden on IORPs / Article 4 ring-fenced funds. On that basis, **the Review Panel would issue a recommended action if it identifies a supervisory practice with respect to the SIPP putting unnecessary burden on IORPs / Article 4 ring-fenced funds.**

Enforceability – the assessment also included considerations on whether NCAs had any supervisory practices in place to verify compliance of IORPs / Article 4 ring-fenced funds vis-à-vis relevant provision of the IORP Directive and, if relevant, additional national legal requirements to relevant provisions of the IORP Directive on SIPP. On that basis, **the Review Panel would issue a recommended action if it identifies a supervisory practice that did not follow up on the verification of compliance vis-à-vis national legal requirements set in addition to Articles 11, 12, and 18 of the IORP Directive.** One should note that the assessment of supervisory practices against this last criterion was more limited as it was not possible to evaluate all supervisory practices against each specific national legal requirement due to time and resource constraints.

2.3. Recommended actions to NCAs

Using the assessment criteria previously outlined, the following 3 recommended actions were issued to one NCA.

Summary of recommended actions

- To define procedures to improve coordination between the 3 NCAs with respect to the SIPP having regard to the opportunity to limit the administrative burden on IORPs.
- To have a single point of entry for the submission of the SIPP to ease burden on IORPs.
- To develop and communicate to IORPs clear procedures on their obligations and rights, including on the time limit for making the SIPP available to the relevant NCA.

The peer review's assessment for the remaining 26 NCAs did not highlight any gaps or issues in their supervisory practices in relation to effectiveness, proportionality principle and enforceability.

Furthermore, in cases when the SIPP should only be provided upon request relevant NCAs confirmed using alternative tools or having other practices to check the investment policy. In Member States with no specific requirements on the knowledge and experience of those preparing or approving the SIPP, relevant NCAs reported having 'fit and proper' style requirements and/or practices to check on appropriate knowledge and experience of the persons effectively running the IORP / Article 4 ring-fenced fund.

Remark on the use of alternative supervisory practices or tools to the SIPP

The peer review explored the reasons for not systematically and regularly collecting the SIPP from IORPs / Article 4 ring-fenced funds with 10 NCAs to understand the extent to which the SIPP plays a role in supervision in conjunction with other possible tools/practices used to evaluate and monitor the investment policy.

In 3 NCAs, the SIPP is requested and used during regular on-site inspections. Whilst the remaining 7 NCAs might also ask for the SIPP during or just before an on-site inspection, the request of the document depends on specific conditions such as the risk profile of the IORP / Article 4 ring-fenced fund, the nature of the visit (e.g. thematic review). In these 7 NCAs, the SIPP is not used as a primary supervisory tool to identify and evaluate supervisory risks associated with the investment policy of IORPs / Article 4 ring-fenced funds. Alternative tools or practices used instead of or in conjunction with the SIPP include regular investment reporting (1 case) and insurance-based supervisory tools (6 cases).

Remark on the verification of relevant knowledge and experience with respect to the SIPP

The Review Panel received sufficient clarifications from the relevant NCAs (5 cases) who confirmed having relevant national measures and associated practices to verify the knowledge and experience of the persons effectively running the IORP / Article 4 ring-fenced fund with regard to investment matters.

The next section provides more detailed findings from the comparative analysis including usage of alternative supervisory tools to the SIPP and implemented practices seeking to verify knowledge and experience of relevant persons in relation to the SIPP. It is worth noting that recommended actions to EIOPA were identified at a later stage of the peer review process upon completion of identified best practices. These are summarised in section 5 of the report's conclusions.

3. Comparative analysis

This section summarises the peer review's key findings on:

- the persons responsible for preparing and approving the SIPP;
- specific legal requirements and NCA guidance in relation to the SIPP content;
- if and how NCAs use the SIPP as a supervisory tool;
- the extent to which NCAs have similar or different supervisory practices and why;
- whether and how the SIPP may be used as a disclosure instrument to members and beneficiaries.

Before delving into the main findings of the comparative analysis, the next section provides some contextual background on relevant national measures underpinning NCAs' supervisory practices with respect to the SIPP.

3.1. Background on national legal / regulatory frameworks

3.1.1. Additional national measures to Article 12 of the IORP Directive

A large majority of NCAs (21 out of 27) reported having additional national (legally binding and/or non-binding) measures in supplement to Article 12 of the IORP Directive.

The provision of more detailed content required in the SIPP, the application of supplementary investment rules (relative to Article 18 of the IORP Directive) and requirements linked to the SIPP being part of a larger supervisory document were amongst the top reasons for having issued additional national measures.

9 NCAs issued formal national measures to IORPs / Article 4 ring-fenced funds with respect to the SIPP.

In total, 12 out of 27 NCAs reported the existence of a document similar to the SIPP or requirements on elements of the SIPP (e.g. investment objectives, risk profile) prior to the IORP Directive. In 6 cases, the IORP Directive triggered a review of the NCAs' supervisory practices. In almost all cases where there was no requirement for a document similar to the SIPP prior to the IORP Directive, the provisions of Article 12 on risk management were completely new.

3.1.2. Application of Article 5 of the IORP Directive

For the large majority (20 out of 27 NCAs), the relevant provisions of the IORP Directive with respect to the SIPP apply to all IORPs / Article 4 ring-fenced funds regardless of their size.

In 7 Member States, the relevant provisions of the IORP Directive with respect to the SIPP apply to IORPs with more than 100 members as cited in Article 5 (paragraph 1) of the IORP Directive. NCAs in 4 out of these 7 Member States supervise a non-negligible number of IORPs.

3.1.3. Additional national requirements on the investment function

In general, with the exception of 6 NCAs, most respondents reported the existence of national requirements on IORPs/Article 4 ring-fenced funds, relevant to the given reference period, with regard to their in-house investment management function (18 cases), outsourcing of the investment management function (18 cases), having a

mixture of both (13 cases). 12 NCAs reported the provision, in their Member State, of requirements regarding all the described functions.

The complete or partial outsourcing of the investment management function does not exclude or diminish the responsibility of the institution (and/or its operational bodies).

3.1.4. Additional national requirements on the persons preparing and approving the SIPP

16 out of 27 NCAs reported specific requirements on the person preparing the SIPP.

In the majority of cases (11 out of 16) the requirements do refer to professional qualifications. In addition to requirements on professional qualifications, 9 out of 11 NCAs also reported other requirements linked with a minimum level of professional experience and/or specific knowledge and experience.

Similar conclusions can also be drawn on specific national requirements on the persons responsible for approving the SIPP. 23 out of 27 NCAs reported specific requirements on the knowledge / experience of those approving the SIPP.

These requirements are mainly referred to the following three categories: professional qualification (12 cases) and/or minimum level of professional experience (11 cases) and/or other provisions on specific knowledge and experience (12 cases).

The completion of specific training is mentioned in only 1 case, besides other requisites.

4 other NCAs reported no specific requirements on the knowledge and experience of those approving the SIPP.

Other provisions on the knowledge and experience of the persons preparing and approving the SIPP tended to relate to propriety requirements e.g. absence of criminal record, declaration of interest.

To check on the compliance against additional national measures on what knowledge and experience the persons / entities responsible for preparing or approving must have, some NCAs have put in place a range of supervisory practices such as "fit and proper" style checks, verification of the qualifications of Board members upon appointment.

3.2. Preparation and approval of the SIPP

When it comes to the types of persons/entities involved in preparing the SIPP, NCAs' responses are relatively diverse (Figure 3). The Management Board (17 cases), followed by the Investment Committee (14 cases) and the In-House Investment Department (12 cases) are the most cited groups involved in the preparation of the SIPP. 4 NCAs reported that this information was not available. 3 additional NCAs indicated that they may not have complete information on who prepares the SIPP, but attempted to answer the question reporting on the type(s) of persons involved in the preparation of the document.

3 NCAs reported at least 7 different possible types of persons/entities involved in the preparation phase of the SIPP, compared to only one type of person/entity in 4 other NCAs.

Figure 3: Who is (involved in) preparing the SIPP (number of cases reported by NCAs)

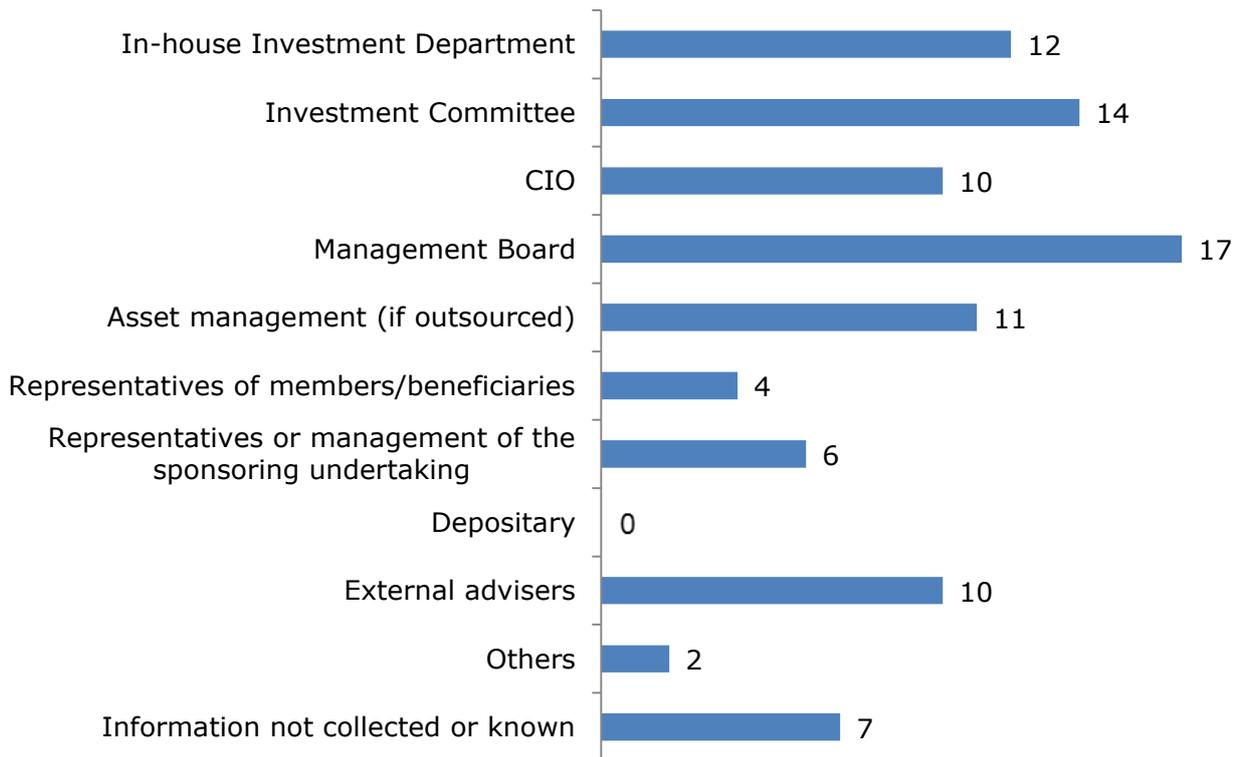
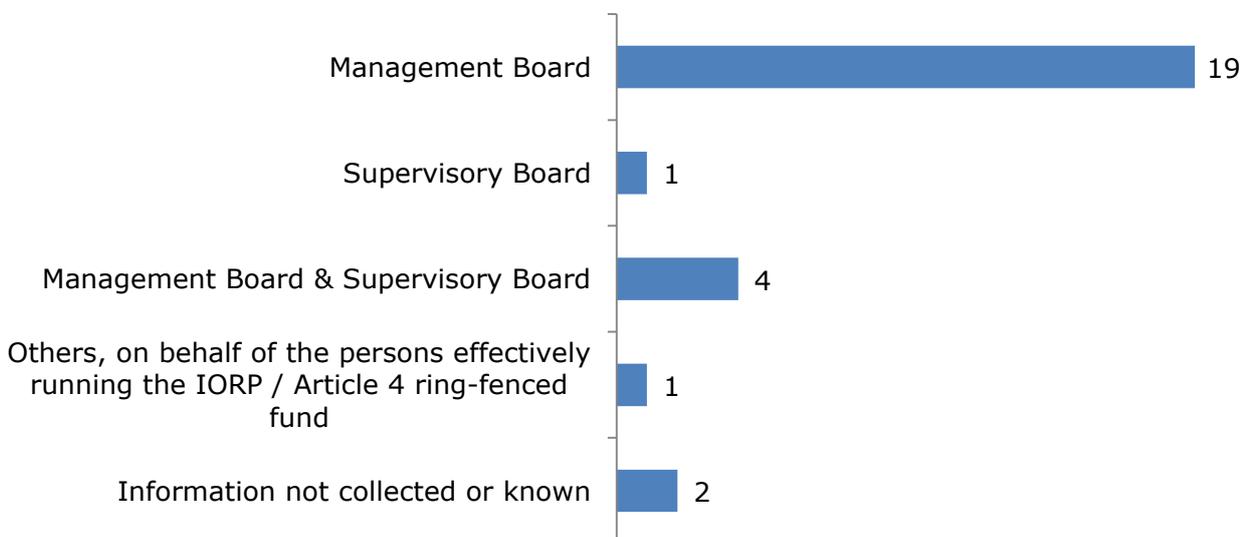


Figure 4 indicates that for a large majority (23 out of 27 NCAs) the Management Board is either fully or partly, in conjunction with the Supervisory Board, responsible for approving the SIPP. In all 23 NCAs, there are minimum requirements on the knowledge and experience of Management Board members with respect to the investment policy. For the remaining 4 cases, the Supervisory Board is also jointly responsible for the approval of the SIPP. There were no cases where a depositary is involved in the preparation of the SIPP. In 16 out of 27 cases, the Management Board who is responsible for approving the SIPP is also involved in its preparation.

Figure 4: Who approves the SIPP



3.3. Content of the SIPP

Since Article 12 of the IORP Directive sets minimum content for the SIPP⁶, the peer review sought to examine:

- Any additional national measures prescribing what to include in the SIPP, how to structure it and why;
- Any cases and conditions under which the same IORP / Article 4 ring-fenced fund may need to provide different, separate SIPPs to the NCA;
- Any NCA support given to IORPs / Article 4 ring-fenced funds on the structure and content, why and how;
- Any trends and drivers for common market practices in terms of the SIPP structure and/or content.

3.3.1. Level of prescription on the SIPP structure and content

18 out of 27 NCAs reported requirements on additional elements to be provided in the SIPP relative to the minimum content specified in Article 12 of the IORP Directive.

The majority of additional content requirements are defined in national law/regulation in 14 out of 18 cases.

National measures on the SIPP content in supplement to Article 12 of the IORP Directive relate to information on:

- Scope (13 out of 18 cases);
- Governance and risk management (12 out of 18 cases);
- Elements of Article 18 of the IORP Directive with respect to Investment Rules and Prudent Person Rule (12 out of 18 cases);
- Detail of the Strategic Asset Allocation (11 out of 18 cases).

The most commonly cited elements required in the SIPP content in addition to Article 12 provisions include:

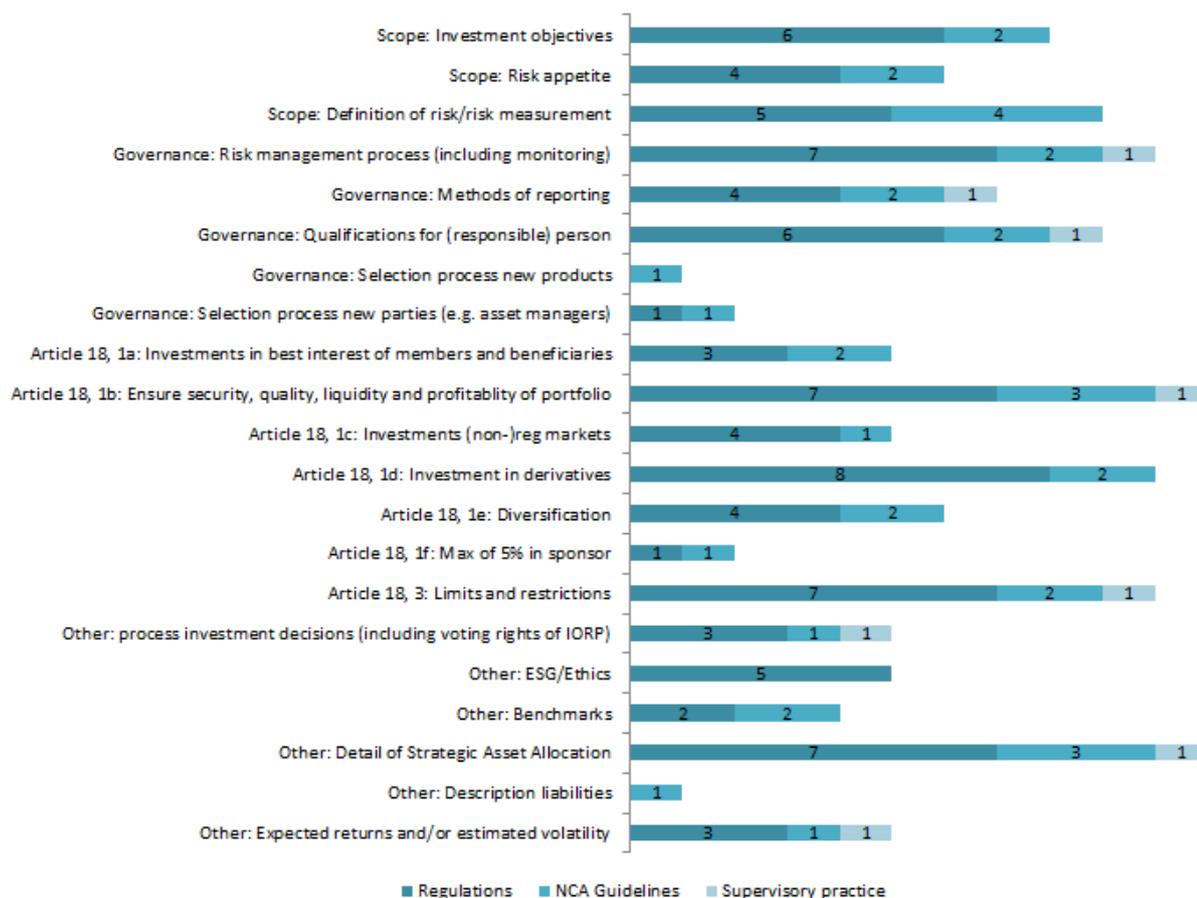
- Detail of the Strategic Asset Allocation;
- Definition of risks and risk measurement, risk appetite;
- Investment objectives;
- Governance of investment decisions: process of taking investment decisions, requirements on decision-makers, methods of reporting, independent monitoring, risk management and assessment including required elements of risk management process;
- Elements of the Prudent Person Rule, in particular with regard to investment in derivatives and other high risk asset classes, investment limits and restrictions.

⁶ According to Article 12 of the IORP Directive, the SIPP should, at least, contain the following three elements: 1) the investment risk measurement methods, 2) the risk-management processes implemented and 3) the strategic asset allocation with respect to the nature and duration of pension liabilities.

National content requirements on information relating to benchmarks, expected returns or Environmental, Social and Governance (ESG) matters are the exception rather than the norm. For instance, national requirements about ESG considerations with respect to the SIPP were only reported for 5 cases.

Figure 5 provides a more detailed, itemised list of additional national measures and supervisory practices with respect to the SIPP content.

Figure 5: Elements to be included in the SIPP in addition to content requirements set in Article 12



3.3.2. Additional NCA support to IORPs / Article 4 ring-fenced funds on the SIPP content

The majority of NCAs (22 out of 27) provided in various degrees and forms additional explanations to IORPs / Article 4 ring-fenced funds with respect to the SIPP content. 5 NCAs did not provide any specific explanations on SIPP content. The reasons for not providing further explanations on elements of the SIPP content are worth noting.

The main reasons for the absence of additional explanations with regard to (aspects of) the SIPP content included:

- A small IORP market enabling relevant NCAs to have more tailored one-to-one (formal or informal) contacts with IORPs / Article 4 ring-fenced funds, in line with the application of the proportionality principle;
- No requests from IORPs / Article 4 ring-fenced funds;
- Interactions between IORPs and NCA during pre-authorisation;
- Self-explanatory legislation / detailed regulations about the content of the SIPP.

In contrast, the most common areas cited in NCAs' guidance related to:

- The structure of the SIPP (11 cases);
- Implementing risk management process (9 cases);
- Strategic asset allocation (8 cases).

5 NCAs issued formal guidance specifically on the SIPP content whilst 6 other NCAs reported that explanations on the SIPP content were embedded in other guidance.

With respect to the timeliness of NCA guidance provided on the SIPP content, NCAs provided explanations or guidance equally before, during and after the preparation of the SIPP and following an event (e.g. on-site visit). In 5 out of 27 cases, NCAs offered guidance / explanations on (aspects of) the SIPP content at all these stages.

As mentioned previously, the provisions of Article 12 introduced new qualitative requirements with respect to risk management for the majority of NCAs irrespective of the presence of a document similar to the SIPP prior to the IORP Directive. In practice, however, only 9 NCAs provided additional guidance/explanations on "risk management processes" as requested in Article 12 of the IORP Directive.

Furthermore, in light of a recent EIOPA report conclusion⁷ on the need to improve the link between the investment policy/SIPP and the characteristics of the scheme membership, the peer review explored the extent to which NCAs provided additional guidance for IORPs / Article 4 ring-fenced funds to describe in the SIPP their internal organisation with regard to setting up the investment policy and in particular with respect to:

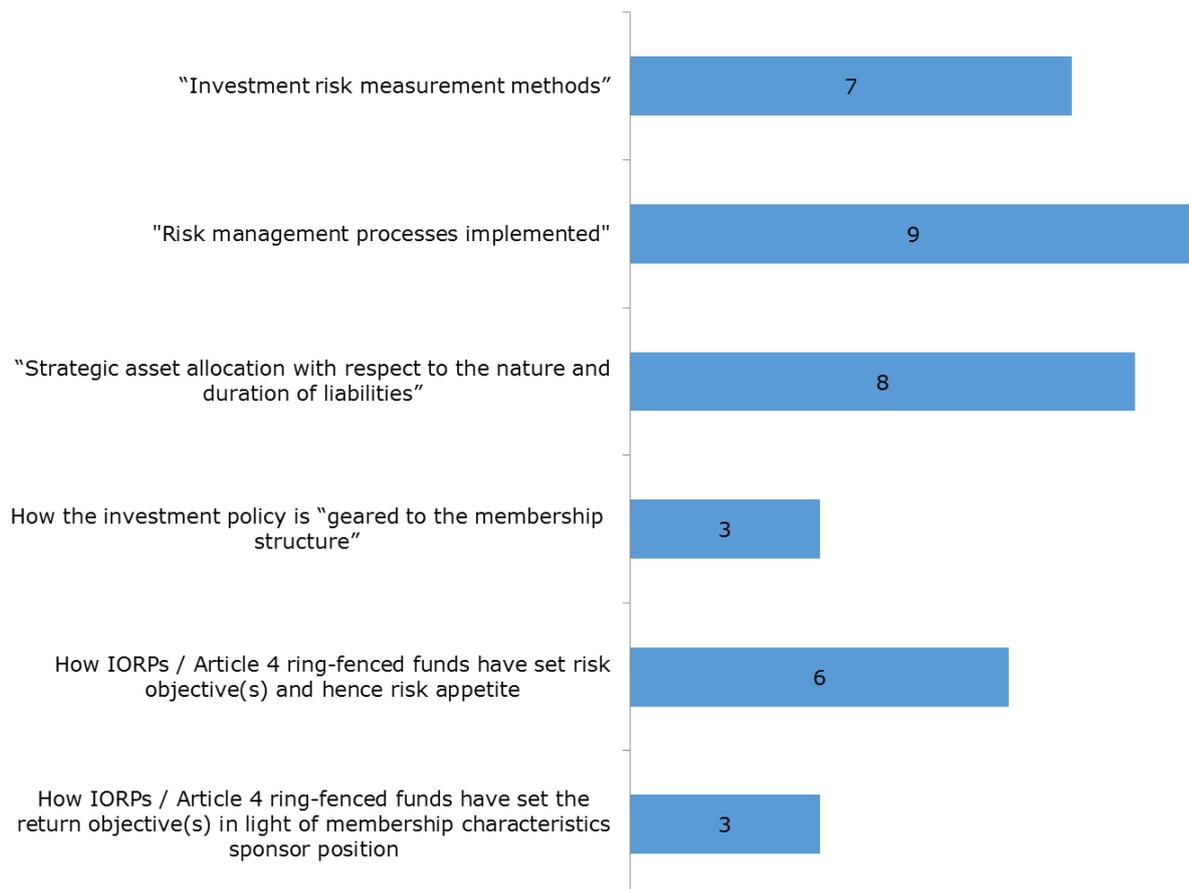
- How the investment policy is "geared to the membership structure" as cited in Recital 31 of the IORP Directive;
- How IORPs / Article 4 ring-fenced funds have set the risk objective(s) and thereby their risk appetite;
- How IORPs / Article 4 ring-fenced funds have set the (funding) return objective(s) in light of membership characteristics, and where applicable, sponsor position.

⁷ The [2015 EIOPA Report on Investment Options for Occupational DC Members](#) highlighted a supervisory risk for potentially unsuitable investment policy, especially in cases where members have no investment choice or tend to be in default investment arrangements. The report concluded on the need to improve the link between the SIPP and the characteristics of the target group/membership.

Only a minority of NCAs provided additional guidance on these three aspects (Figure 6). 3 NCAs provided additional guidance on how the investment policy is "geared to the membership structure" and how to set the return objective(s) in light of membership characteristics and, where applicable, sponsor position.

6 NCAs provided additional explanations on how to set risk objective(s) and hence risk appetite.

Figure 6: Number of NCAs who provided guidance / explanations on:



When it comes to providing additional explanations on what "a significant change" that may trigger a review of the SIPP may be, only 2 NCAs gave additional guidance to IORPs / Article 4 ring-fenced funds. Self-explanatory legislation and minimum qualifications and/or professional experience requirements on the persons responsible for approving the SIPP tend to explain why most NCAs did not deem necessary to issue further guidance on "significant change".

Whilst the majority of NCAs did not offer any additional explanations on "significant change" to IORPs / Article 4 ring-fenced funds, they were able to provide information on the most common triggers based on the NCAs' market knowledge.

The most common triggers for an IORP/Article 4 ring-fenced fund to review the SIPP in light of a "significant change"⁸ included:

- Changes in national law;
- Change in investment policy / asset allocation / investment limits (as a result of market condition, review expected investment returns, benchmarks review, new instruments available, changes in risk profile);
- Adaptation to liabilities in the IORP / Article 4 ring-fenced fund;
- Organisational change in investment process or in the IORP / Article 4 ring-fenced fund.

3.3.3. SIPP: a document that comes in all shapes and sizes

For the majority (19 out of 27 NCAs), the SIPP is a stand-alone document. In 8 cases, the SIPP is part of a larger supervisory document. Amongst these 8 cases, the nature of document in which the SIPP content is included differs. For instance, the SIPP may be part of a document disclosed to new members or the IORP's annual report or a technical report requested by the NCA.

If not included as part of a larger supervisory or disclosure document, in the majority of Member States, the SIPP is expected to be provided to the NCA as a single document, notwithstanding the fact that the SIPP may be structured in such a way as to reflect specificities of the investment policy (e.g. SIPP annexes reflect specific investment elements relating to a sponsor in the case of an IORP providing a multi-employer scheme).

The majority of NCAs reported receiving a diverse range of SIPPs both in terms of its content, size and structure. Such differences in the size and structure of the SIPP may be explained by the nature and level of complexity of the IORP / Article 4 ring-fenced fund. In contrast, detailed requirements on the SIPP structure set in national law represent the main reason for IORPs / Article 4 ring-fenced funds to provide similarly structured SIPPs. In a few cases, guidelines or template provided by NCAs may help explain similarities in the SIPP structure. In other cases, it is worth noting that market practices may also lead to producing similar SIPPs either through market-led initiatives or as a result of the small size of the IORP sector⁹. The peer review's assessment included an examination of the potential interactions between supervisory and market practices and, in particular, the extent to which NCAs' supervisory practices with respect to the content and structure of the SIPP may have been developed in response to specific market practices and vice versa.

⁸ Note that some significant changes are specific to the types of pension plans/products e.g. DB pension scheme

⁹ A few NCAs reported that they tend to receive similar SIPPs because the preparation of the SIPP for the very few IORPs in operation is carried by the same, small pool of external consultants.

There are examples of voluntarily market-led initiatives that have developed a standardised template for IORPs. Furthermore, a lot of academic and industry work to develop good market practices with respect to the investment policy and SIPP has been done. Most of the academic and industry literature focus on providing some guidance to occupational pension funds on the purpose of the SIPP, how it should be used as part of the pension fund's internal governance (e.g. checklist), how to develop an investment policy including setting up investment beliefs, objectives and risk appetite¹⁰, what information should be in the SIPP and how to structure the latter¹¹.

3.4. Use of the SIPP as a supervisory tool

This section analyses the extent to which, and if so how, NCAs have used in practice the SIPP as a tool to monitor, check and assess the investment practices of IORPs / Article 4 ring-fenced funds. In doing so, the peer review also examined the degree to which:

- The SIPP is pro-actively used as a primary supervisory tool (ex-ante) and/or at the forefront of a wider supervisory process, so-called "push" instrument (e.g. the SIPP is one of the key documents used for the selection of on-site inspections);
- The SIPP is used as a secondary and ex-post "pull" instrument within the NCAs' wider supervisory framework. The NCA may use alternative supervisory instruments as part of its core supervisory framework, therefore explaining why the SIPP is used on an ad-hoc basis.

In both cases, the peer review's assessment also aimed to establish the degree to which the SIPP is "integrated" within NCAs' wider supervisory framework, notwithstanding the nature and size of the IORP sector, in addition to the existence and usage of the SIPP (or document similar to the SIPP) in supervision prior to the IORP Directive.

To establish if the SIPP is used as a push and/or pull instrument, the peer review analysed:

- the processes and instruments NCAs put in place including the frequency and means for collecting the SIPP;
- what information in the SIPP NCAs use (e.g. quantitative, qualitative) and how;
- what supervisory means NCAs use to perform their duties;
- what alternative instruments NCAs use in cases where the SIPP plays little or no role in supervision.

To determine how NCAs use the SIPP in supervision, the peer review's assessment first consisted of understanding if NCAs require a systematic submission of the SIPP given certain conditions such as a set time limit or, alternatively, if the SIPP would only be provided occasionally upon request from the NCA.

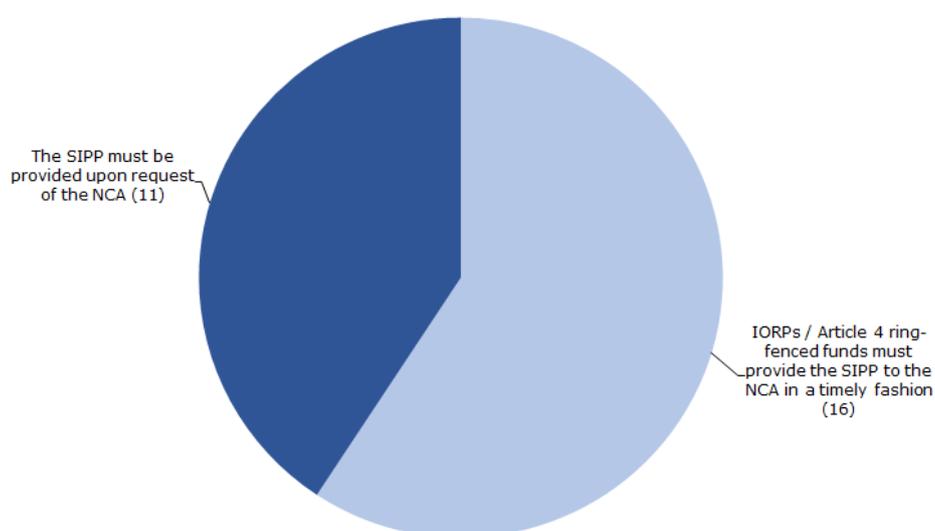
¹⁰ K. Koedijk & A. Slager (2011) *Investment Beliefs: A Positive Approach to Institutional Investing*, Palgrave MacMillan.

J. Gray (2009) "Rethinking Investment Beliefs in a Time of Crisis: The Calming Hand of Philosophy", *Rotman International Journal of Pension Management*, Volume 2, Issue 1.

¹¹ CFA Institute (2010) *Elements of an Investment Policy Statement for Institutional Investors*.

M. Boone & L. Lubitz (2004) *Creating an Investment Policy Statement: Guidelines and Templates*, FPA Press.

Figure 7: On-request or mandatory systematic submission of the SIPP (number of NCAs)



In 16 cases, it is mandatory for IORPs to provide the SIPP to NCAs. In the remaining 11 NCAs, IORPs and Article 4 ring-fenced funds must only provide the SIPP upon request of the NCA. In 7 out of these 11 NCAs, the SIPP is solely used as a pull instrument which may be requested in the course of an on-site inspection. In 4 NCAs, it is worth stressing that although the SIPP does not need to be provided to the NCAs on a regular basis, these NCAs may still use the SIPP as a push instrument on an ad-hoc basis e.g. during off-site or on-site investigations.

3.4.1. Communication channels used to obtain the SIPP when required to submit

The channels available to IORPs / Article 4 ring-fenced funds to submit the SIPP to NCAs vary and, often depend on how the NCA uses the SIPP. Sending the SIPP electronically either by email or using a secure online platform is possible to IORPs / Article 4 ring-fenced funds in 21 cases. Paper-based channel to submit the SIPP to the NCA is used in 21 cases. In 6 out of these 21 cases, paper-based SIPP is the only channel to be used. Similarly, in 5 NCAs, the SIPP can only be submitted via electronic means to NCAs via email or using a secure online platform. In 2 cases, all 3 channels are available.

The reasons for collecting the SIPP via an online platform vary and include:

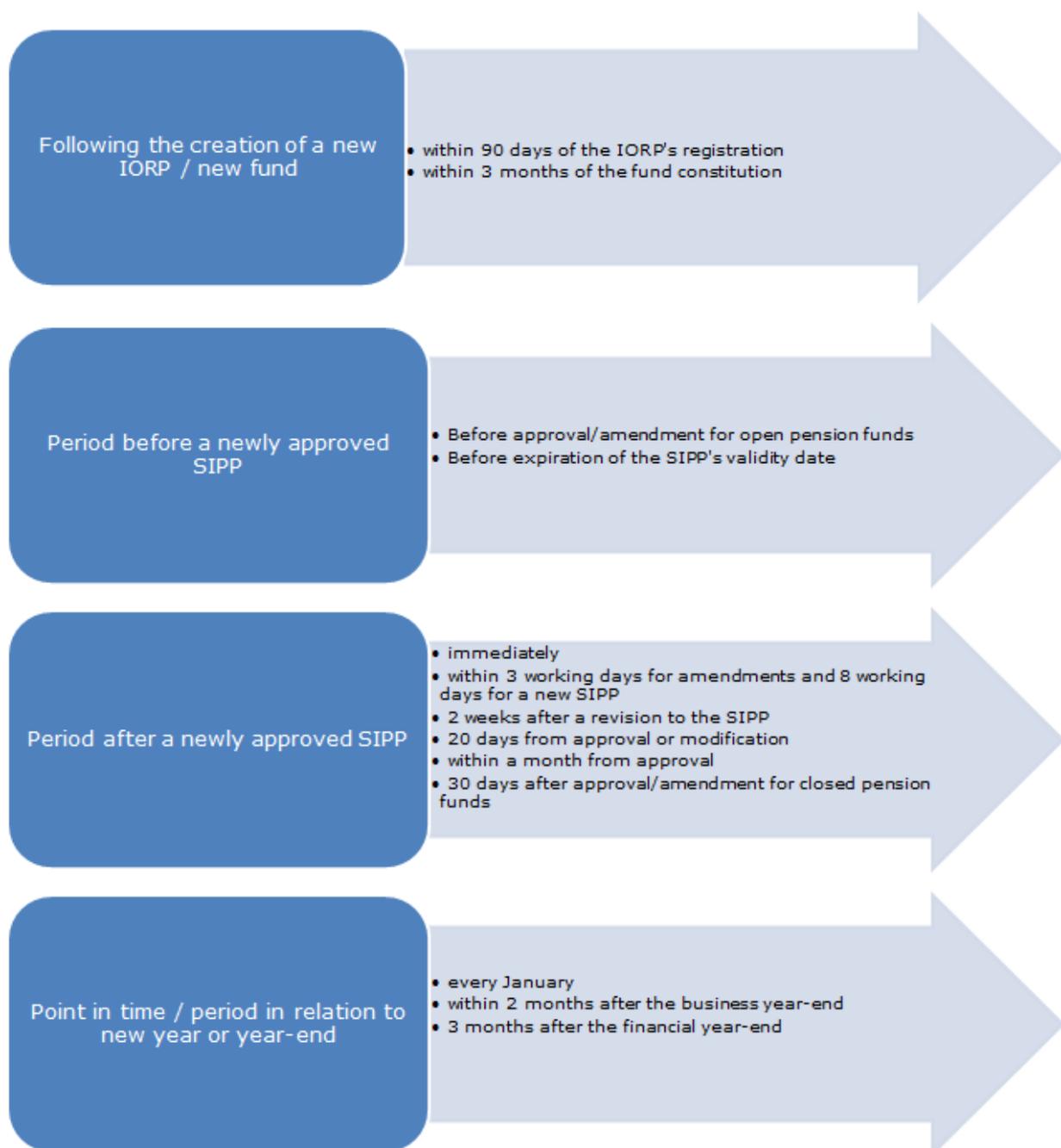
- secure and cost-effective instrument to collect the SIPP;
- enabling the NCA to have a quick and easy access to the SIPP;
- enabling automated feeds of SIPP quantitative data (e.g. Strategic Asset Allocation) into the NCA's risk-based model or other tools used for risk identification, compliance sense checks.

Whilst secure web-based platforms for collecting the SIPP tend to be used by NCAs who regularly request IORPs / Article 4 ring-fenced funds to submit SIPP, the analysis did not show any apparent link between NCAs' channel choice for collecting the SIPP and NCAs' supervisory practices with regard to monitoring the timely submission of the SIPP, especially in Member States with a mandatory time limit set in national law.

3.4.2. Time limit to submit the SIPP

13 out of 27 NCAs indicated that a time limit is set in national law requiring IORPs / Article 4 ring-fenced funds to submit the SIPP to them. In 9 out of these 13 cases, the time limit refers to a period following approval of the SIPP ranging from just a few days to a few months. In 2 cases, there are two separate time limits distinguishing between amendments to existing SIPPs or new SIPPs. In 3 other cases, the time limits refer to either a specific point in time or period associated with the business/financial year. 2 NCAs have put in place practices to monitor the timely submission of the SIPP. 11 out of 13 Member States with a time limit set in national law for submitting the SIPP also have mandatory requirement for IORPs to submit the SIPP to the NCA. The following Figure provides an overview of the range and circumstances associated with the time limit.

Figure 8: Diversity of time limits set in national law



In 4 Member States, there are national measures requiring IORPs to send the SIPP to the NCA but the time limit for submitting the SIPP to the NCA is not specified in national law.

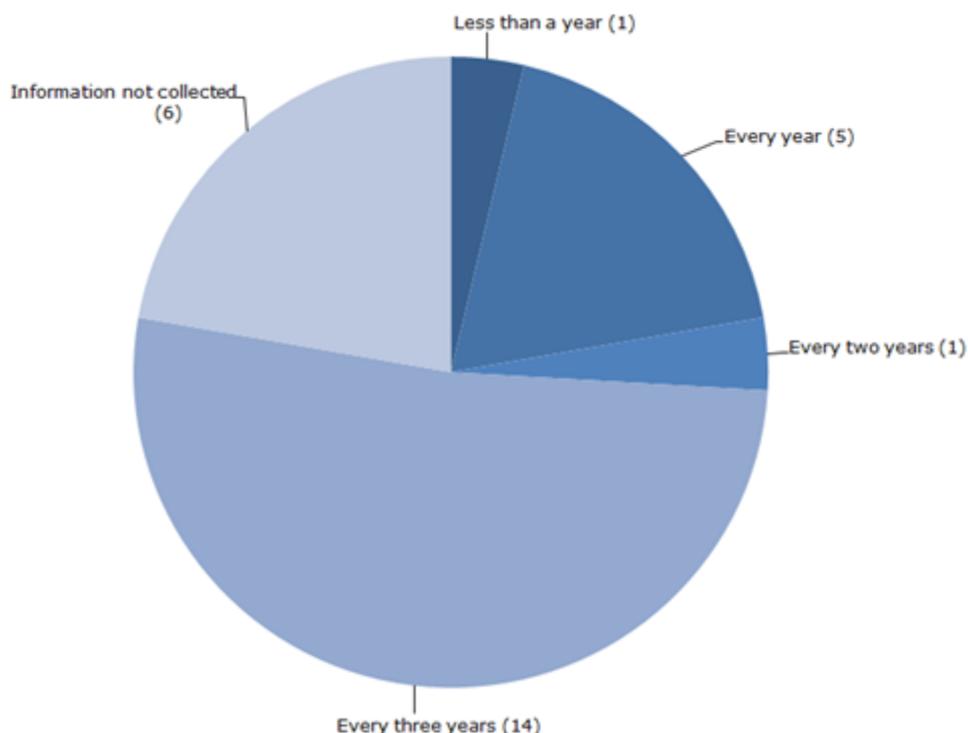
Reasons for not having a time limit at national level include:

- No legal requirement on IORPs to make the SIPP available to the NCA unless requested but in a few cases there is a supervisory practice setting expectations on the timeliness for submitting the SIPP;
- Obtaining the SIPP and related material as part of on-site inspections or compliance exercise;
- The SIPP is only submitted once to the NCA during the application/authorisation process of new IORPs;
- The SIPP (including any changes) must first be pre-approved by the NCA.

3.4.3. Frequency of reviewing the SIPP for the majority of IORPs / Article 4 ring-fenced funds in practice

14 out of 27 NCAs reported that the majority of IORPs / Article 4 ring-fenced funds tend to review the SIPP every 3 years as prescribed in Article 12 of the IORP Directive, with the exception of cases when a significant change in the investment strategy is identified. In 1 case, IORPs and Article 4 ring-fenced funds may review the SIPP more frequently than annually. Unsurprisingly, in 11 out of these 14 cases IORPs / Article 4 ring-fenced funds must submit any newly approved (amended) SIPP to the respective NCAs. 6 NCAs do not collect information on the frequency of SIPP reviews.

Figure 9: Frequency of SIPP review for the majority of IORPs by NCA response



11 out of 16 NCAs where newly approved SIPPs must systematically be submitted reported that the majority of IORPs review the SIPP every 3 years.

3.4.4. SIPP as a push and/or pull supervisory instrument

To evaluate the extent to which the SIPP is used in supervision, one can look at the SIPP's usage according to the following two categories:

As a **"push" instrument**, the SIPP is used proactively and **ex-ante** as (one of) the main supervisory tool(s) within the NCA's core supervisory framework (e.g. the SIPP is one of the key documents used for the selection of on-site inspections).

As a **"pull" instrument**, the SIPP tend to be used **ex-post** as a secondary tool within the NCAs' wider supervisory framework (e.g. the SIPP is only requested as a result of the NCA's triennial "business as usual" on-site inspection). This is because the NCA would use other primary supervisory instruments as part of its core supervisory framework (e.g. for risk identification) and may resort to using the SIPP in specific circumstances, possibly on an ad-hoc basis (e.g. the NCAs requests the SIPP during an on-site inspection which raised some concerns over the management of investment risk).

Based on the above 2 categories, 16 out of 27 NCAs have implemented supervisory practices seeking to use the SIPP both as pull and push instruments in supervision.

4 NCAs solely use the SIPP as a push instrument whilst the remaining 7 NCAs use the SIPP only as a pull instrument.

The main use of the SIPP as a push instrument (20 out of 27 cases) relates to supervisory practices seeking to perform initial compliance/consistency checks¹² and/or identify risk. Many NCAs perform consistency checks of the SIPP with regular reports on actual investment portfolio. In 8 out of 20 cases, the SIPP is also used for the registration/authorisation of new IORPs.

As a pull instrument, the majority of supervisory practices (23 out of 27 cases) refer to using the SIPP during on-site inspections¹³. In 4 cases, the SIPP can be used to either assess the knowledge and competence or train the persons responsible for approving the SIPP with respect to the investment policy. In 3 cases, the NCA can use the SIPP, amongst other information sources, to assess the competence of the persons effectively running the IORP with respect to the investment policy.

In 3 cases, the SIPP is not seen as an important tool due to nature, size of the IORP or Article 4 ring-fenced fund sector or the use of alternative supervisory instruments in place such as Solvency II.

In 4 NCAs, the SIPP is first regarded as a market practice to the extent that it is an important market tool for the IORP to communicate its investment strategy to investment or risk managers.

¹² e.g. vis-à-vis investment rules set in Article 18 of the IORP Directive and/or additional national investment restrictions, consistency checks against actual investment portfolio or with other documents provided by the IORP/Article 4 ring-fenced fund

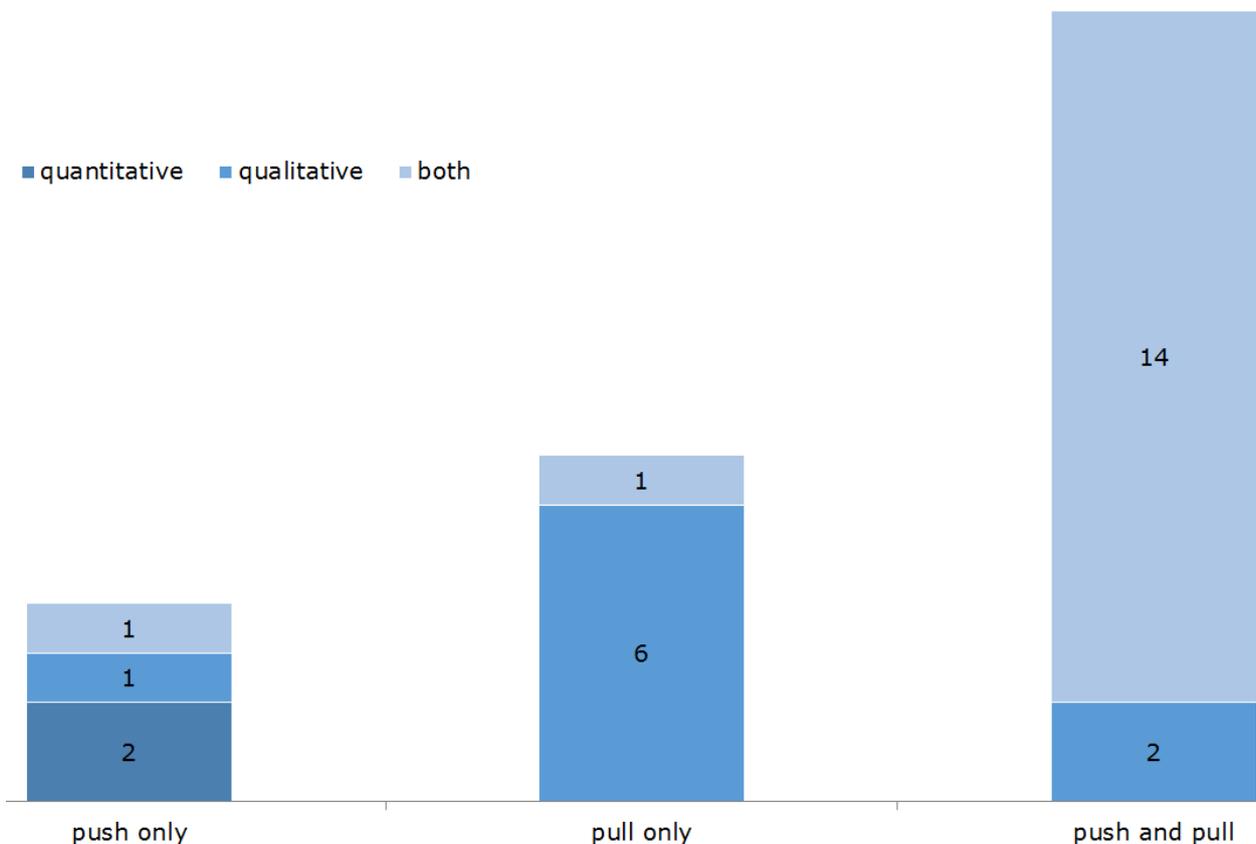
¹³ e.g. the NCA may verify compliance vis-à-vis investment rules, strategic asset allocation etc during the on-site inspection, especially in cases where the NCA only requests the SIPP during on-site inspections. The NCA may also perform a qualitative assessment of the SIPP with respect to risk management and associated processes or internal controls.

The peer review's assessment found 2 cases with the most extensive use of the SIPP which has been embedded in the core of the NCAs' supervisory framework. This prompted a visit to 2 NCAs.

Whilst the SIPP is a document including both quantitative and qualitative information, it is interesting to note that NCAs' use of the SIPP in supervision varies widely. Some NCAs may primarily use the SIPP's quantitative content for off-site desk analysis whilst other NCAs may, in addition, assess its qualitative content as a governance document as part of off- and/or on-site supervision.

In the context of using the SIPP as a push and/or pull instrument, it is not surprising to find that 14 out of the 16 NCAs who use the SIPP as both push and pull instrument tend to use both qualitative and quantitative information (see Figure 10).

Figure 10: Nature of information extracted from the SIPP in relation to using the SIPP as a push and/or pull instrument



6 out of 7 NCAs who only use the SIPP as a pull instrument focus on the qualitative information which corroborates with performing a more qualitative assessment of the investment policy e.g. evaluation of risk management processes supporting the execution of the investment policy during on-site inspections.

Unsurprisingly, all 7 NCAs who provided additional guidance to IORPs/Article 4 ring-fenced funds on "risk management processes implemented" have supervisory practices that use the SIPP's qualitative information.

To perform their duties, NCAs have a range of supervisory means to choose from. In the context of using the SIPP in supervision, the **most commonly used supervisory means** include:

- Requesting reports on funds' investments;
- Performing on-site inspections;
- Carrying out consistency checks with other documents;
- Conducting interviews.

NCAs whose IORP sector solely runs occupational DC pensions, tend to conduct consistency checks on the investment policy through the regular reporting of funds' investments.

In 2 cases, NCAs also reported requesting information from other NCAs/public bodies.

In 5 cases, NCAs may request information from third parties.

In 2 cases, under specific conditions the SIPP may be provided alongside the IORP's recovery plan.

16 out of 27 NCAs reported having encountered cases of non-compliance.

In 13 out of these 16 cases, the provision of an incomplete SIPP was the most common cause for non-compliance.

5 NCAs identified actual cases of non-compliance whereby the SIPP was submitted after the 3-year deadline. In all 5 Member States, it is mandatory for IORPs to provide the SIPP to the NCA.

Failure to review the SIPP following a significant change was identified as a reason for non-compliance in 4 cases.

Cases of non-compliance tend to be identified by NCAs who:

- require the systematic submission of the SIPP either on a regular basis or upon a newly approved SIPP (Figure 11);
- use the SIPP as both push and pull instrument (Figure 12).

Figure 11: Non-compliance split by the nature of NCA request of the SIPP

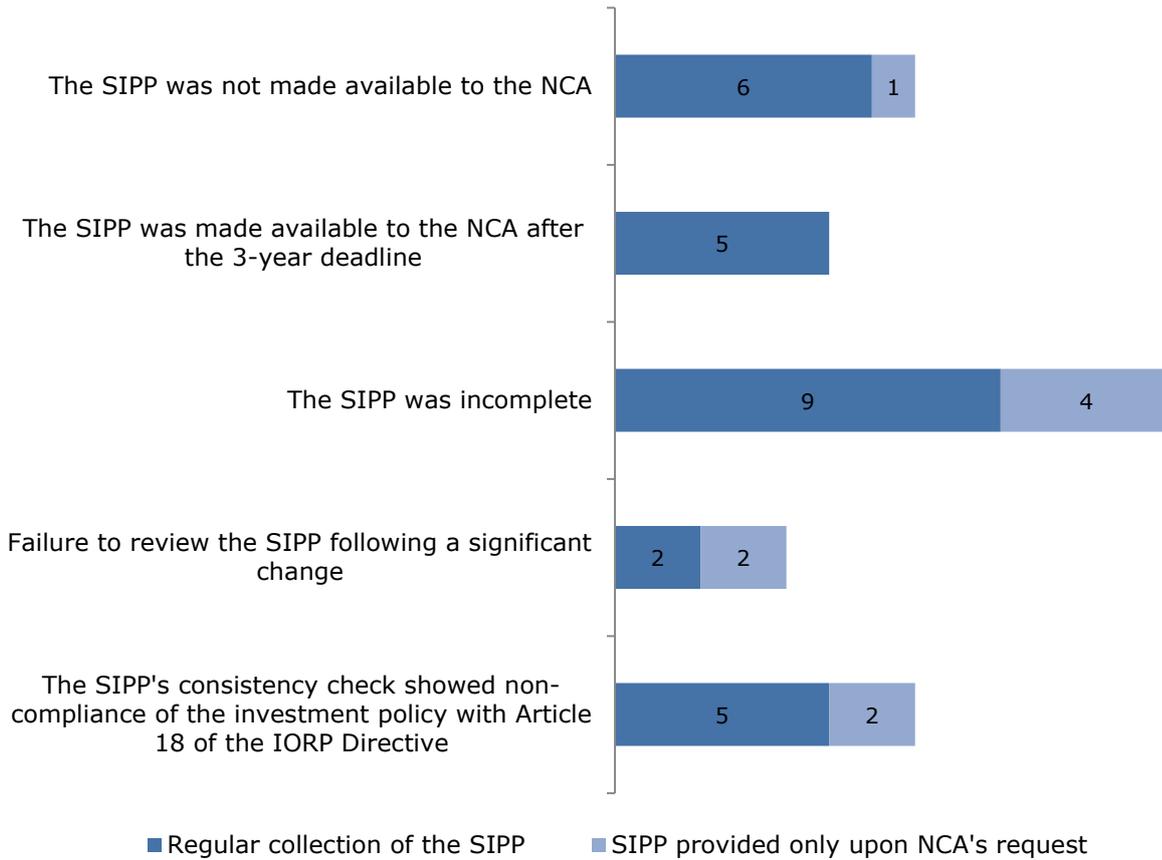
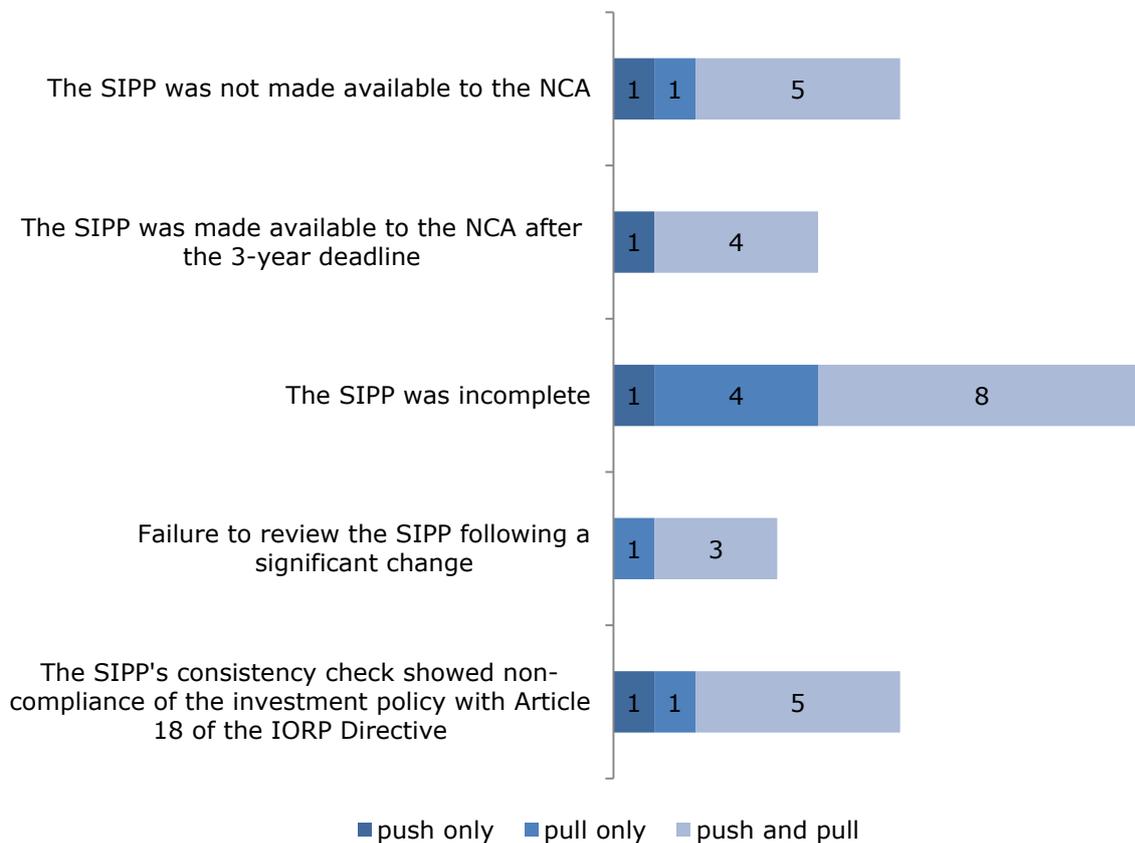


Figure 12: Non-compliance split by use of SIPP as pull/push instrument



3.5. Use of the SIPP as a disclosure tool

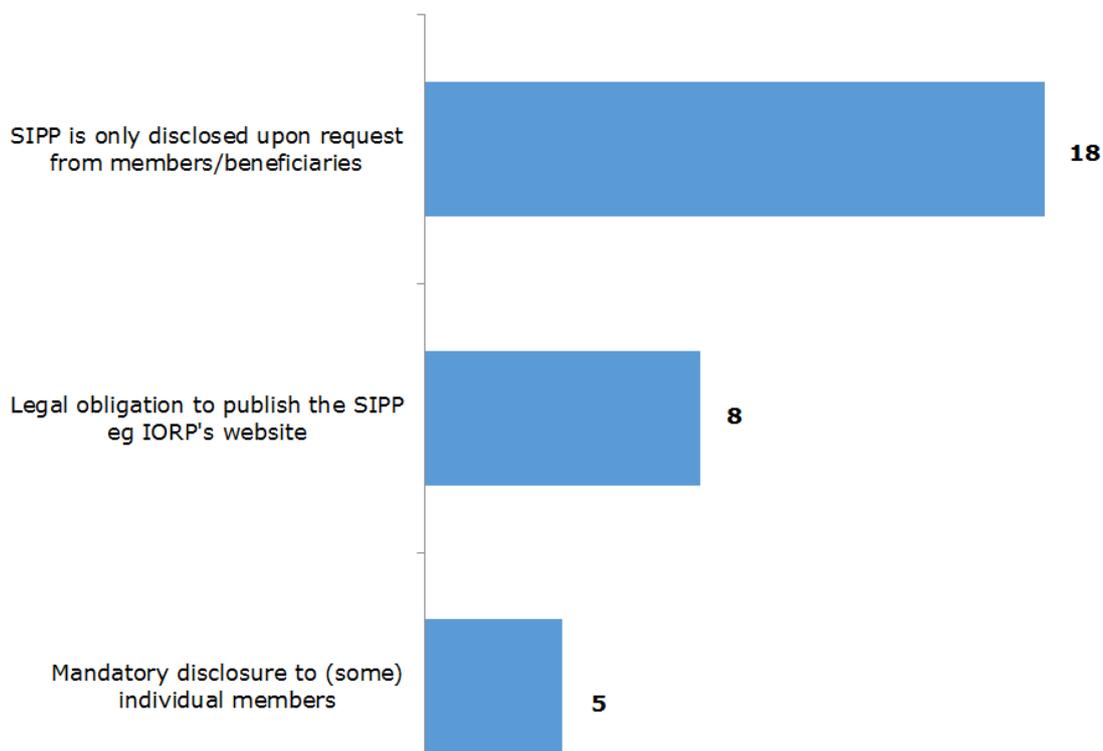
The peer review examined the extent to which:

- The SIPP may have been implemented as a secondary instrument to improve information disclosure in supplement to the provisions of Article 11 of the IORP Directive. Information disclosure could, for instance, be through proactive encouragement to IORPs to communicate the SIPP (or aspects of it) to members in an understandable manner or through a legal requirement to publish the SIPP on the IORP's website;
- NCAs may have coordinated the SIPP with other disclosure documents.

In 18 cases, the SIPP is disclosed upon request from members and beneficiaries as required by Article 11 of the IORP Directive.

8 out of 27 NCAs reported a legal requirement for IORPs / Article 4 ring-fenced funds to publish their SIPP (see Figure 13). In 6 out of these 8 cases, NCAs only supervise IORPs running "pure" occupational DC pensions where the investment policy directly impacts on members who are fully exposed to investment risk. Whilst the majority of NCAs did not report any requirements to publish the SIPP, a few NCAs indicated the existence of market practices whereby some IORPs/Article 4 ring-fenced funds voluntarily publish the SIPP.

Figure 13: Use of the SIPP for transparency or disclosure purposes



In 5 Member States, there are mandatory requirements to disclose the SIPP to (some) members/beneficiaries which are additional to Article 11 paragraph 3 of the IORP Directive¹⁴.

Overall, in 10 cases, the SIPP can therefore be deemed as a disclosure tool. In 7 out of these 10 cases, NCAs use the SIPP as a pull instrument. This often necessitates

¹⁴ i.e. requirement to disclose the SIPP to members and beneficiaries upon their request

detailed technical content, for instance to check the governance of investment processes and overall execution of the investment policy during on-site inspections.

3 NCAs reported that the simultaneous use of the SIPP in supervision and for disclosure or transparency purposes is challenging in terms of striking the right balance for the SIPP content. This is because using the SIPP in supervision requires the document to include detailed technical content. In contrast, as a disclosure document the information set in the SIPP should be as accessible and understandable as possible to members and beneficiaries, especially when it is proactively disclosed.

It is worth noting that another NCA who also uses the SIPP both as a supervisory tool and a disclosure document to members did not report such issue as the NCA uses other supervisory tools and documents to fulfil its supervisory duties and verify compliance of IORPs' investment policy. As a result, the SIPP content can be limited to the minimum disclosure requirements set in national measures taking into account members' perspective whilst more detailed information can be included in other documents the NCA requests from IORPs for supervisory purposes.

Regardless of whether the SIPP must be provided to members and beneficiaries regularly or only upon their request, 10 out of 27 NCAs reported requirements on communicating the SIPP in an understandable manner to members and beneficiaries. In the majority of cases, these requirements are set in national law. However, in practice a minority of NCAs reported having supervisory practices to perform a quality check on whether the SIPP is understandable to members and beneficiaries.

In 3 cases, IORPs are required to actively communicate the SIPP to members and beneficiaries in an understandable manner.

21 out of 27 NCAs reported having national practices in place to coordinate the SIPP content with other disclosure or supervisory documents.

The peer review's assessment found no correlation between NCAs' requirement for systematically requesting the SIPP and having national mandatory requirements to disclose the SIPP to members and beneficiaries.

3.6. Key conclusions from the comparative analysis

The comparative analysis shows that whilst the IORP Directive seeks to achieve minimum EU harmonisation, the majority of Member States have implemented national measures in supplement to the relevant provisions of the IORP Directive. These additional national requirements mainly relate to the structure and content of the SIPP (in particular in relation to elements of the Prudent Person Rule set in Article 18 of the IORP Directive), the management of the investment function and the persons responsible for preparing and approving the SIPP.

A large number of NCAs have issued formal requirements on the SIPP content and structure e.g. regulations. In contrast, there are very few cases of NCAs who provided additional explanations specifically on the SIPP content using other non-binding measures e.g. guidelines.

Supervisory practices are typically developed and shaped in relation to the relevant national measures. However, at a European level the nature and extent of national requirements introduced in addition to Articles 12 and 13 of the IORP Directive do not help explain why some NCAs have either similar or different supervisory practices when using the SIPP in supervision. All things equal, the characteristics of the occupational pension sector (e.g. size, nature and types of occupational pensions) inherently linked with the NCA's chosen supervisory approach (e.g. risk-based supervision) tend to explain differences and similarities in the use of SIPP between NCAs.

Whilst there is a great diversity in the way and extent to which NCAs may use the SIPP in supervision, the analysis also showed a few similarities shared amongst NCAs. For instance, in nearly all Member States, there was no requirement for a document similar to the SIPP prior to the IORP Directive which also introduced for many a new requirement on risk management.

A large majority of NCAs (23 out of 27) reported that the Management Board is responsible for approving the SIPP. In all 23 cases, there are also minimum requirements on the knowledge and experience of Management Board members with respect to the investment policy. In 16 out of 23 cases, the Management Board responsible for the approval of the SIPP is also involved in its preparation.

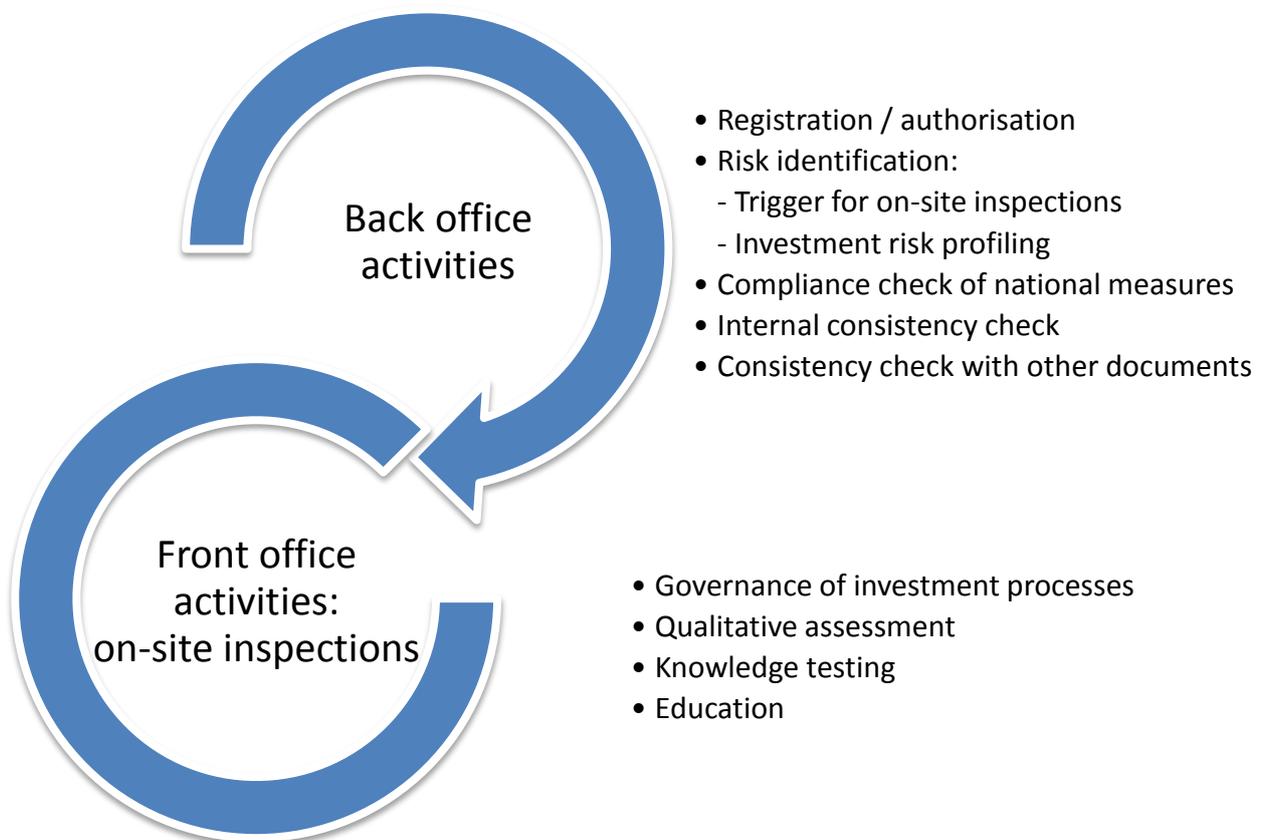
In contrast, differences arise with respect to the structure, content and use of the SIPP in supervision and, if applicable, for disclosure and transparency purposes. Although generally speaking the SIPP is a stand-alone document (19 out of 27 NCAs), at a European level, the SIPP comes in all shapes and sizes.

Depending on the level of prescription with respect to the SIPP content, this peer review provided a few illustrations on the possible level of interaction between supervisory and market practices. For instance, some national measures and associated supervisory practices on the SIPP content may have been derived from or developed in response to specific market practices.

Equally, the absence of additional requirements may have driven the development of market practices (e.g. 'how to' guide) to provide clarity on the expected content and structure of the SIPP.

Given the heterogeneity of the European occupational pension landscape and the fact that the relevant provisions of the IORP Directive do not require NCAs to regularly collect and use the SIPP in supervision, the diverse application and extent to which the SIPP is used as a supervisory tool comes as no surprise.

The next Figure summarises the diverse applications of the SIPP found in this peer review in relation to the different stages of the supervisory value chain, from back to front office operations.



The main use of the SIPP as a push instrument (20 out of 27 NCAs) relates to supervisory practices consisting of initial compliance/consistency checks and/or identifying risks. Consistency checks of the SIPP with regular reports on actual investment portfolio was the most commonly reported supervisory practice.

As a pull instrument, the SIPP is mainly used during on-site inspections for various purposes e.g. conducting a qualitative assessment of the SIPP such as checking the governance of investment processes or testing the knowledge of the persons responsible for approving the SIPP.

There is a general agreement amongst NCAs that the SIPP is a technical document featuring detailed quantitative and qualitative information. In the majority of Member States, the minimum provisions set in Article 11 of the IORP Directive to provide the SIPP upon request to members and beneficiaries apply. The SIPP must be actively disclosed to (some) members in 5 cases or be published as part of promoting greater transparency in 8 cases. Pending its final adoption, it is worth noting that the new IORPII Directive would introduce a new requirement to publish the SIPP.

3 NCAs reported that using the SIPP simultaneously as both supervisory and disclosure tools can pose some challenges in terms of striking a balance between ensuring sufficient, adequate information necessary for the NCA to conduct its supervisory duties and communicating understandable information on the investment policy to members and beneficiaries. There is a case however where a NCA did not report such issue. This is because other supervisory documents are used alongside the SIPP to verify IORPs' compliance with respect to the investment policy, any detailed

content exceeding the minimum legal disclosure requirements to communicate the investment policy to members can therefore be placed in the other supervisory documents IORPs must regularly provide to the NCA.

In summary, the SIPP is primarily used as a supervisory tool, albeit with variable applications as push and/or pull instrument. Depending on the use of the SIPP as a supervisory tool, a few NCAs may show a certain degree of consistency in their supervisory practices. However, at a European level the diverse application of the SIPP in supervision is testimony that there is room for promoting and achieving greater supervisory convergence notably through the identification of best practices.

4. Best practices

4.1. Approach to identify best practices

The peer review drew up an initial list of national supervisory practices to be assessed in terms of their suitability as best practices. The peer review examined a total of 20 supervisory practices across 9 NCAs in the field of:

- Content of the SIPP;
- Preparation of different SIPPs;
- Information disclosure and transparency;
- Effective processes for compliance verification
- Risk identification;
- Use of the SIPP as knowledge and competence testing tool on the persons responsible for approving the SIPP.

To determine the overall suitability as best practice, an assessment for each pre-selected national supervisory practice within the same topic was carried out with due consideration for:

- Factual evidence and relevant context associated with the national supervisory practice;
- Advantages and strengths of the national supervisory practice;
- Weaknesses or areas for improvement necessary in the wider EU context;
- Likelihood for alternative supervisory practices that are more effective;
- Breadth of impact as best practice on European supervisory convergence.

4.2. List of identified best practices

Based on the approach described, the Review Panel identified 8 best practices of which:

- 1 best practice relating to the content of the SIPP;
- 3 best practices associated with effective processes for compliance verification;
- 4 best practices with regard to using the SIPP in risk identification.

It is important to stress that all 8 best practices listed below are only applicable in cases where NCAs use the SIPP in supervision.

4.2.1. Best practice on the SIPP content

1. EIOPA considers it a best practice when a NCA supervising a non-negligible number of IORPs / Article 4 ring-fenced funds makes Frequently Asked Questions (FAQs) on the SIPP content accessible on their website.

Generally, the use of FAQs can be an easy "quick win" practice to fill a gap in the absence of or before issuing more detailed guidelines on the SIPP content by providing transparent information / clarifications to IORPs/Article 4 ring-fenced funds and hence ease the administrative burden for both IORPs/Article 4 ring-fenced funds (i.e. reduce information costs) and NCAs (i.e. by mitigating the risks for increased queries to the NCA). From a supervisory perspective, the use of FAQs also ensures that a consistent

approach to answering queries is taken within the NCA. The best practice will be especially relevant to NCAs supervising a non-negligible number of IORPs where one-to-one regular contacts with IORPs are not manageable. The public disclosure of FAQs in relation to the SIPP content also contributes to greater transparency, in particular to new IORPs / Article 4 ring-fenced funds seeking information to operate either nationally or across borders.

A further developed best practice worth considering would consist of ensuring the implementation of proper and quality collection mechanisms when developing the FAQs e.g. seeking and using feedback from IORPs and Article 4 ring-fenced funds. This would provide assurance that the developed FAQs will be most useful to IORPs and Article 4 ring-fenced funds when published on the website.

4.2.2. Best practices on effective processes for compliance verification when using the SIPP in supervision

2. EIOPA considers it a best practice where NCAs supervising a non-negligible number of IORPs required to submit the SIPP on a regular basis use a web-based solution to securely store and access in one place the SIPP alongside other supervisory documents as well as monitor the timeliness for submitting the SIPP by issuing automated reminders to IORPs.

Depending on the size and diversity of the IORP sector, this best practice can provide NCAs with an effective mean to collect the SIPP and have the latter accessible in one place including previous versions of SIPPs submitted in the past. Together with the automated reminder set in the system, this makes it a very efficient system for NCAs to save time and reduce any risk of mistakes. The single 'point of entry' for submitting the SIPP via the secure web-based platform also provides transparent procedures and requirements for IORPs to know where, when and how to provide supervisory documents including the SIPP, hence potentially reducing the risk for non-compliance e.g. reducing risks of late SIPP submissions by the issuance of automated reminders to IORPs.

This best practice is most relevant to NCAs who supervise a non-negligible number of IORPs/Article 4 ring-fenced funds and require the latter to regularly submit the SIPP. The automation for submitting the SIPP also reduces the risk of errors.

3. EIOPA considers it to be a best practice when NCAs who request and use the SIPP in supervision develop and apply a checklist as part of the qualitative assessment of the SIPP.

The development and use of a checklist to perform an initial qualitative assessment of the SIPP enables the NCAs to have a structured and consistent approach in fulfilling their supervisory task of assessing the IORP with respect to its investment policy and eventually draw conclusions on the investment risk profile of IORPs. The application of a checklist on the SIPP primarily consists of an initial qualitative assessment of the investment policy.

4. EIOPA considers it to be a best practice for NCAs who request and use the SIPP in supervision to carry out governance checks of IORPs' investment processes during off-site and/or on-site supervision.

This best practice contributes to more effective, detailed, qualitative assessment of the investment policy and associated governance of investment processes, e.g. risk management or internal controls.

This best practice is applicable to NCAs who, at some point, request the SIPP and may use the latter for desk analysis as part of off-site supervision, for instance in preparation to on-site inspections. They may also use the SIPP to carry out a more detailed qualitative assessment of investment processes during on-site inspections - be they regular or one-off (thematic) inspections. This best practice is also in line with the IORPII proposal that seeks to introduce new governance and risk management requirements on IORPs / Article 4 ring-fenced funds, thereby increasing the scope for greater European supervisory convergence.

4.2.3. Best practices relating to using the SIPP for risk identification

5. EIOPA considers it to be a best practice for NCAs supervising a non-negligible number of IORPs to collect quantitative data set in the SIPP through an online data collecting solution used for the purposes of verifying investment limits and/or risk identification and/or selection for on-site inspections.

6. EIOPA considers it to be a best practice for NCAs to use the SIPP's quantitative data in supervision for the purpose of risk identification in the context of sectoral or thematic analysis.

7. EIOPA considers it to be a best practice for NCAs to use the quantitative data set in the SIPP to assess the IORPs' risk profile for risk identification purposes.

8. EIOPA considers it to be a best practice for NCAs to use the SIPP as one of the selection criteria for on-site inspections.

In the context of risk-based supervision, the NCAs' proactive application of quantitative data set in the SIPP, extracted through suitable IT tools, was effective in assisting NCAs with risk identification including as one of the selection criteria for on-site inspections. The identified best practices provide a more accurate and refined picture of IORPs' risks and support NCAs in their qualitative assessment during off-site and/or on-site supervision of the investment policy.

All four best practices are most relevant to NCAs who take a risk-based approach to pension supervision and/or supervise a large number of IORPs / Article 4 ring-fenced funds.

Remarks on the identification of best practices

No best practices were identified in relation to the preparation of different SIPPs, use of the SIPP for disclosure and transparency purposes and as a knowledge and competence testing tool.

- With respect to the preparation of different SIPPs, no best practice could be identified mainly because existing national supervisory practices being assessed were mainly associated with specific national Social and Labour Law (SLL) requirements, hence reducing the suitability and likelihood for the practices to be considered by other NCAs whilst raising questions over additional administrative burden placed on IORPs and Article 4 ring-fenced funds in comparison to the provision of a single document.
- Similarly, the national supervisory practices with regard to information disclosure and transparency assessed for best practice are strongly connected with specific national measures on disclosure or SLL which would have limited the scope for the practices to be considered by other NCAs. Whilst it was not possible to identify any best practice, the assessment has identified the need to address the challenge reported by 3 NCAs on how to strike the right balance between the necessity to have detailed technical content for NCAs to conduct their supervisory duties and the provision of understandable information to members and beneficiaries in cases where the SIPP is used in supervision and actively disclosed to members and beneficiaries. Supervisory practices on information disclosure and transparency discussed during the identification of best practices may be a good starting point to conduct further work in this area.
- National supervisory practices using the SIPP as a knowledge and competence tool were not deemed as best practice because they would not be relevant for the majority of NCAs who have already in place rigorous 'Fit and Proper' requirements (e.g. professional qualifications) and supervisory practices on the persons approving the SIPP.

In addition, the assessment of best practices highlighted 2 areas where there is further scope to promote supervisory convergence as well as a common supervisory culture in relation to:

- The structure and content of the SIPP;
- The role and interaction of the SIPP with other (new) supervisory tools due to be introduced by the IORPII Directive, in particular in relation to risk management.

In summary, the assessment of best practices led to identifying 3 recommended actions to EIOPA which are further detailed in Section 5.

5. Conclusions

This peer review explored the supervisory practices NCAs put in place in relation to Article 12 of the IORP Directive over a reference period of April 2012 to June 2015. Because the provisions set in Article 13 do not require NCAs to either collect or use the SIPP in supervision, this peer review examined the extent to which NCAs use the SIPP within their supervisory framework.

The peer review's assessment found that there is a great diversity in the application of the SIPP in supervision across all 27 NCAs. Some NCAs have embedded the SIPP as part of their core supervisory framework to perform both quantitative and qualitative assessments of the investment policy during off- and on-site supervision. Off-site activities include using the SIPP content for alignment and consistency checks with other disclosure and supervisory documents or using the SIPP for the registration process of new IORPs/Article 4 ring-fenced funds. Quantitative information set in the SIPP is also used by NCAs to perform off-site desk analysis and verify compliance vis-à-vis the provisions set in Article 18 of the IORP Directive linked with the Prudent Person Rule and, if applicable, any supplementary investment restrictions set in national law.

When it comes to checking the execution of the investment policy, some NCAs assess the governance of investment processes (e.g. risk management and internal controls in place in relation to the execution of the investment policy) as part of their on-site supervision. Such assessment may already be programmed in the NCAs' on-site inspections or, in other cases, may be the consequence of the on-site inspection which, for instance, highlighted some potential issues with the management of investment risk. A few NCAs also reported using the SIPP to test the competence of the persons responsible for approving the SIPP who, for the majority, are members of the Management Board or Supervisory Board.

For the majority of Member States, there are additional requirements on content relative to the provisions of Article 12. Given the above applications of the SIPP in supervision, it is not surprising that the most commonly cited elements to be included in the SIPP relate to providing detail on the strategic asset allocation, defining risks, risk measurement and investment objectives and, explaining the governance of investment decisions and/or adherence to the Prudent Person Rule.

The SIPP comes in all shapes and sizes. The SIPP is generally a stand-alone document, albeit 8 exceptions, where its content is embedded in a larger supervisory or disclosure document. Overall, IORPs / Article 4 ring-fenced funds are expected to prepare and approve one SIPP which may differ in size and structure depending on the nature and level of complexity of the IORP / Article 4 ring-fenced fund as well as any presence of prescriptive national measures on the SIPP content or structure. Only 3 NCAs reported the possibility for IORPs to provide separate SIPPs under specific conditions.

In a few cases, the small pool of external consultants tasked by IORPs/Article 4 ring-fenced funds with the preparation of the SIPP can help explain similarities between SIPPs despite the absence of national prescriptive measures on the SIPP content/structure.

In a few instances, the SIPP is first regarded as an important market practice and hence governance document that IORPs/Article 4 ring-fenced funds use to communicate with investment / risk managers.

There is evidence of market practice initiatives giving further guidance on the SIPP content and structure as well as developing a standardised template.

Whether it is regarded as a market practice and/or used as a supervisory tool, there is a general agreement amongst NCAs that the SIPP is, in any case, a technical document featuring detailed quantitative and qualitative information which present NCAs with some challenging issues in the context of information disclosure.

Whilst the majority of Member States apply the minimum provisions set in Article 11 of the IORP Directive to provide the SIPP upon request to members and beneficiaries, some NCAs reported additional national requirements to disclose the SIPP to (some) members (4 cases) and/or publish the SIPP, for instance, on the IORP's website (8 cases).

Although the peer review considered existing supervisory practices seeking to encourage SIPP disclosure as well as to improve information transparency and members' understanding, it was not able to identify any best practices. However, the peer review's assessment highlighted that the SIPP can play an important role to encourage transparency or disclose information to (some) occupational DC members which will be worth exploring further in the context of the new requirements set in the new IORPII Directive.

5.1. Impact on supervisory culture

This peer review established that the use of SIPP in supervision varies greatly across the EU, thereby suggesting scope for promoting greater European supervisory convergence. This peer review has identified a number of best practices with respect to the SIPP including tools that NCAs use within their supervisory framework. These tools and practices, if shared, can help achieve greater transparency for NCAs and IORPs / Article 4 ring-fenced funds alike as well as improve the effectiveness, consistency and quality of supervisory outcomes of identifying, assessing and monitoring the risk profiles of IORPs / Article 4 ring-fenced funds with respect to the investment policy.

By drawing a list of the main information requirements some NCAs expect to see in the SIPP and mapping out the possible uses of the SIPP in supervision, this peer review has provided relevant information to those NCAs who fed back interest in these areas in their self-assessment response and raised awareness with other NCAs on the various possibilities available to them to use the SIPP in future, for instance, during a review of their supervisory practices.

Carried out alongside the development of the new Methodology for the Conduct of Peer Reviews, this peer review provided practical feedback and illustrations to the application of the new Methodology. The peer review's contribution will benefit to future peer reviews by promoting consistent approaches and delivering timely quality outputs.

Findings presented in this report, notably in terms of the content and use of the SIPP in supervision would form a sound basis for EIOPA's next peer review of IORPs with respect to supervisory practices on Prudent Person Rule.

During the identification of best practices, this peer review highlighted additional room to further promote a common supervisory culture, in particular with respect to the structure and content of the SIPP and its role and interaction with other (new) supervisory tools in the context of the new IORPII Directive.

Furthermore, the assessment of best practices also showed the need for further exploring ways to improve the communication of the investment policy to occupational DC members in light of new information disclosure requirements set in the IORPII Directive. The next section summarises the recommended actions for EIOPA to consider further work in these 3 areas.

It should also be noted that all three recommended actions to EIOPA are in line with feedback provided by a few NCAs during the peer review who indicated a strong interest in learning more about:

- The expected structure and content of the SIPP;
- The possible uses of the SIPP in supervision;
- Ensuring the development of appropriate investment strategies delivering good outcomes for members underpinned by a robust investment governance and risk management framework and how NCAs assess the latter;
- Communicating clear and understandable information about the investment policy to members of occupational DC schemes.

5.2. Recommended actions to EIOPA

5.2.1. Structure and content of the SIPP

At a European level, the SIPP comes in all shapes and sizes. Very few NCAs who use the SIPP in supervision have provided additional explanations or guidance on their expectations with respect to the content and structure of the SIPP. In a minority of cases, SIPPs were similarly structured as a result of prescriptive and detailed regulation on its content.

The assessment of best practices shed light on the potential to further enhance supervisory practices which facilitate the qualitative assessment of SIPPs¹⁵. For instance, the best practice on the application of a check list could be further enhanced by promoting the convergence toward similarly structured SIPPs which would mirror the structure of the supervisory practice.

Therefore, EIOPA guidance on the SIPP structure would further promote supervisory convergence whilst providing greater transparency to IORPs and Article 4 ring-fenced funds notwithstanding the need for retaining flexibility on the content of the SIPP and having due consideration on both subsidiarity and proportionality principles.

¹⁵ The supervisory assessment of SIPPs that are similarly structured would be more effective than that of SIPPs that widely differ in their structure.

Moreover, since only a minority of NCAs provided additional guidance on how the investment policy is "geared to the membership structure", how to set the return objective(s) in light of membership characteristics and, where applicable, sponsor position and how to set risk objective(s) and hence their risk appetite, this work should also consider developing some guidance on these three elements which would help address the need to improve the link between the investment policy and member characteristics highlighted in EIOPA's 2015 Report on Investment Options for Occupational DC Members.

This work should also consider if the new governance and risk management requirements due to be introduced in the IORPII Directive would benefit from some clarification in the context of the SIPP content. The work should also take into account relevant NCAs' experiences highlighted in this peer review where regulation or guidelines on the SIPP content and structure were issued. Academic and market-led initiatives should also be duly considered.

1. EIOPA should consider further work to develop some guidance on the structure of the SIPP in order to further enhance supervisory practices in place to conduct a qualitative assessment of the SIPP. This work should also include specific guidance on how the investment policy is "geared to the membership structure", how to set the return objective(s) in light of membership characteristics and, where applicable, sponsor position and how to set risk objective(s) and hence their risk appetite, with a specific focus on occupational DC pensions.

5.2.2. The SIPP as a supervisory tool in the context of IORPII

The assessment of best practices 4 to 8, which provide a range of possible options for using the SIPP in supervision, drew attention on the opportunity to further foster supervisory convergence at an early stage in the context of the new IORPII Directive.

The peer review's analysis found that Article 12 of the IORP Directive introduced new qualitative requirements with respect to risk management in the majority of Member States. In some cases this triggered some NCAs to review their supervisory practices considering how the SIPP could play a greater role and be integrated into the NCA's supervisory framework. The comparative analysis showed that 19 out of 27 NCAs have implemented supervisory practices to perform qualitative assessments of the investment policy as part of off-site desk analysis or during on-site inspections. These qualitative assessments of the SIPP consist of checking the execution of the investment policy described in the SIPP including the governance of investment processes.

Since the IORPII Directive is set to introduce new governance and risk management requirements, EIOPA could provide some clarifications in particular on the interaction between the SIPP and own risk assessment especially in areas where there is potential for duplication of efforts and information. For instance, this work could provide clarification on how considerations on climate risk set in the new requirement to conduct a risk assessment should interact with ESG considerations which may be provided in the SIPP either voluntarily or as a result of additional national requirements in a few cases.

2. In order to foster supervisory convergence in the context of the IORPII Directive, EIOPA should consider developing some guidance to clarify the role of the SIPP in supervision in conjunction with supervisory instruments and practices developed for the new governance and risk management requirements set in the IORPII Directive. For instance, the guidance could clarify the interactions between the SIPP and own risk assessment in areas where there is potential duplication of efforts or information between the two documents. This would help reducing any risk of putting unnecessary, additional administrative burden on IORPs and Article 4 ring-fenced funds. This work should also take into account any formal guidance developed by NCAs on the SIPP structure and content.

5.2.3. Communication of the investment policy to members and beneficiaries

During the peer review, a few NCAs reported that striking the right balance between the necessity to have highly technical content to conduct their supervisory duties and the provision of understandable information when at the same time the SIPP is actively disclosed to (some) members and beneficiaries can be challenging.

As increasingly new members of occupational pension schemes will bear investment risks in the future as a result of the shift from DB to DC pensions, the need for improving information disclosure and transparency with respect to the investment policy becomes even more important to help occupational DC members plan for their retirement, in a context where IORPs will be required to publish the SIPP under the IORPII Directive.

3. The peer review has shed light on the importance of the SIPP and potential challenges in the communication of the investment policy especially to occupational DC scheme members given their full exposure to investment risk. In the context of the IORPII Directive, EIOPA should consider conducting further work on how the Directive's new information disclosure requirements could help improve the communication of the investment policy, and more generally investment matters, to occupational DC members in a timely, clear and understandable manner. In addition to relevant findings highlighted in this peer review, previous EIOPA work in the area of information provisions will need to be considered as part of this work.

5.3. Follow-up measures

Following the completion of this peer review, the Review Panel should check progress in due course on:

- How the NCA has taken forward its 3 recommended actions;
- How the 8 best practices identified in this peer review have inspired other NCAs in developing supervisory practices with respect to the SIPP;
- How EIOPA is addressing the recommended actions which identified further scope to promote supervisory convergence with respect to the SIPP with due consideration of the IORPII Directive and the need to improve the communication of the investment policy to occupational DC members.

Annex - Key characteristics of actual cases

The following tables provide greater detail on the sample composition of the 82 pension products/plans in scope for this peer review and upon which NCAs reported their actual supervisory practices. Please note that due to rounding, percentages in the tables presented below may not always appear to add up to 100%.

Unsurprisingly, the IORP Directive is the EU law applied to the majority of pension products/plans (83%) in scope for the peer review with both DB and DC representing the main types of pension products / plans in the sample.

Table 1: Selected pension plans/products reported as actual cases in scope for the peer review by applicable EU law and types of scheme

	IORP	Article 4 ring-fenced funds	Total
DB	27%	2%	29%
DB contribution-based	5%	0%	5%
Hybrid	10%	0%	10%
DC with guarantee	9%	9%	17%
DC	29%	6%	35%
All kinds are possible	2%	0%	2%
Not defined	1%	0%	1%
Total	83%	17%	100%

Table 2: Selected pension plans/products reported as actual cases in scope for the peer review by applicable EU law and degree of exposure to investment risk

	IORP	Article 4 ring-fenced funds	Total
No exposure to investment risk	27%	2%	29%
At least capital guaranteed	17%	7%	24%
Full exposure to investment risk	29%	6%	35%
Other	10%	1%	11%
Total	83%	17%	100%

Table 3: Selected pension plans/products reported as actual cases in scope for the peer review by enrolment type and degree of exposure to investment risk

	Voluntary membership	Automatic enrolment	Mandatory membership	Total
No exposure to investment risk	6%	12%	11%	29%
At least capital guaranteed	13%	2%	9%	24%
Full exposure to investment risk	17%	12%	6%	35%
Other	4%	6%	1%	11%
Total	40%	33%	27%	100%

68% of actual cases relate to pension product/plan types where both employees and employers are represented in the governance of the IORP/Article 4 ring-fenced fund. In contrast, 16% of pension products/plans in scope for the peer review have no representation from members/employers in the governance of the IORP/Article 4 ring-fenced fund. A further 4% do not have any requirements with respect to representation from members and/or employers.

Table 4: Selected pension plans/products reported as actual cases in scope for the peer review by EU applicable law and types of governance requirements

	IORP	Article 4 ring-fenced funds	Total
Representation of employers & employees	62%	6%	68%
Representation of employers only	0%	5%	5%
Representation of members only	0%	2%	2%
No Representation	12%	4%	16%
Depending on the legal form and charta	5%	0%	5%
No requirements	4%	0%	4%
Total	83%	17%	100%