
EIOPA Sponsor Support Event

17 October 2013 – Frankfurt, Germany

Agenda

- ▶ Purpose / Relevance
- ▶ Process
- ▶ Impact study
- ▶ Sponsor support and related technical issues

Purpose / Relevance of quantitative, supranational, solvency requirements for occupational pensions

- ▶ Valuation of sponsor support is part of the Holistic Balance Sheet Approach, which is aiming at introducing additional, quantitative, supranational quantitative solvency requirements on IORPs
- ▶ Key stakeholders of occupational pensions (ie unions, IORPs, sponsoring employers) rejected the purpose / relevance of introducing such additional supranational requirements (Group of Eight letter dated 23/01/2013)

*"The cornerstone of the review of the IORP Directive is the Holistic Balance Sheet (HBS) tool. We question the appropriateness of such a tool. We need pension funds to be safe and to deliver, but this does not mean that new solvency rules are needed. Member States have **different traditions and regulatory frameworks for pensions**, with different safeguards and adjustment mechanisms".*

- ▶ While the need for additional, supranational quantitative requirements is very widely questioned, discussing technicalities around the particular item of sponsor support seems very premature

Process

- ▶ On 23/01/2013, Commissioner Andor indicated that :
"Pension funds are there — first and foremost — to serve a social purpose. Only in second place should they act as financial institutions"
 - ▶ On 23/05/2013, Commissioner Barnier clearly concluded that *"At this stage, and as long as more comprehensive data is needed and Solvency 2 is not in force, the proposal for a Directive will not cover the issue of the solvency of pension funds"*
 - ▶ Sponsors would like to understand what due process EIOPA intends to follow on quantitative requirements as we thought the priority focus should be on qualitative requirements (governance, reporting)
 - ▶ Same concern was expressed by the Minister of Finance or Social Affairs of 4 heavily impacted Member States (Germany, Ireland, The Netherlands, UK)
 - ▶ There is a general issue on the representation of sponsoring employers in the process (Art 37, 3 of EIOPA regulations needs to be amended in that respect)
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Impacts

- ▶ Before discussing technicalities of the HBS concept, sponsors believe that critical impact studies should be launched on the potential very negative impacts of introducing additional solvency requirements on :
 - *Employment in Europe*
 - *Long term investment in Europe*

- ▶ Some comments already made on these topics fully justify to prioritize impact studies on these 2 topics :
 - Group of Eight letter 23/01/2013 :

*"Such an approach would endanger the provision of occupational pensions across Europe, by having unintended consequences on employers, employees, IORPs and the economy as a whole by impeding **growth and job creation**"*
 - Michel Barnier 23/05/2013 :

"I have no desire to penalise national systems which work well. And I especially do not want, in the current fragile economic situation, to harm the ability of pension funds to play their role as long-term investors"

Sponsor support and related technical issues

- ▶ We believe that the valuation of sponsor support can not be assessed in isolation as there are clear links / interdependencies with :
 - the existence or not of protection schemes against insolvency of the sponsor
 - social agreements on which pension promises are based : possibility for increased employee contributions, benefit reductions or reduced indexation are important features of some pension plans which need to be properly factored into any modeling – overall consistency is needed
 - the possibility for social agreements to be modified / renegotiated with impacts on sponsor's obligations would also need to be factored – a pension plan is not a commercial insurance contract with firm obligations
- ▶ These key features differentiate most occupational pension plans from insurance arrangements