



Occupational Pensions Stakeholder Group

Topics

October 2021 – March 2022

Virtual, 31 March 2022

- The Occupational Pensions Stakeholder Group has 30 members.
- [Members of the Occupational Pensions Stakeholder Group](#) can submit opinions and advice to EIOPA on any issue related to its tasks.
- The group meets at least 4 times a year of which one with EIOPA's Board of Supervisors and a 5th time jointly with both the IRSG and EIOPA's Board of Supervisors. The meetings are conducted both virtual and at the Authority's premises in Frankfurt am Main.
- The group is composed of the following categories:
 - Beneficiaries (6x)
 - Employees (3x)
 - Independent top-ranking academics (4x)
 - Institutions for occupational retirement provision operating in the Union (IORPs) (13x)
 - Professional Associations (3x)
 - SMEs (1x)

Occupational Pensions Stakeholder Group

OPSG = Occupational Pensions Stakeholder Group (EIOPA)

- Current mandate runs from July 2020 to July 2024
- Positions for first two years of the mandate:
 - Chairperson: Bernard Delbecque – EFAMA
 - Vice-Chairpersons:
 - Aleksandra Maczynska – Better finance
 - Falco Valkenburg – Actuarial Association of Europe

Topics October 2022 meeting:

- IORP II Review
- Methodological framework for stress-testing IORPs
- Low interest rates and low expected returns
- Update on Proportionality (ACP Advice 2022, IORP II, Conduct of Business)
- Pension Tracking Systems and Pension Dashboard
- Proposal to gather a set of Questions (Q&As) for EIOPA on any anticipated issues in the implementation of the PEPP
- Pensions and non-standard forms of employment

November meeting is a joint meeting of the

- Occupational Pensions Stakeholder Group,
- Insurance and Reinsurance Stakeholder Group,
- Board of Supervisors of EIOPA (representatives of the national authorities)

Topics:

- European Commission strategic outlook for 2022
- EIOPA strategic outlook for 2022
- Stakeholder Groups outlook for 2022 by the OPSG and IRSG chairs
- Digital Operational Resilience
- Break-out discussions:
 - The future of retirement savings: are we seeing a paradigm shift?
 - Investing in the best interest of policyholders, members and beneficiaries in light of sustainability considerations

Topics January 2022 meeting:

- Preliminary discussion on the Sustainable Finance Strategy for IORPs
- Sustainable Finance Disclosures Regulation (SFDR)
- Discussion on Risk and Financial Stability issues
- Low interest rates and low expected returns
- OPSG advice on funded pensions contribution to old age income, growth and employment
- Update on Proportionality

Topics March 2022 meeting jointly with Board of Supervisors:

- IORP II review
- Best practices for defined contribution (DC) pensions
- IORP Stress Test final technical specifications
- Proportionality

Topics March 2022 regular meeting:

- EIOPA's revised strategy
- Pan-European Personal Pension Product
- Sustainable investments for IORPs: risk, return and inclusion properties
- OPSG advice on funded pensions contribution to old age income, growth and employment
- Consumer trends

Output in this period:

- [15/02: OPSG Advice on Low Interest Rates](#)

Article 62

Evaluation and review

1. By 13 January 2023, the Commission shall review this Directive and report on its implementation and effectiveness to the European Parliament and to the Council.

2. The review referred to in paragraph 1 shall in particular consider:

- (a) the adequacy of this Directive from a prudential and governance point of view;
- (b) cross-border activity;
- (c) the experience acquired in applying this Directive and its impact on the stability of IORPs;
- (d) the Pension Benefit Statement.

- Review will be delayed.
- Call for Advice from European Commission to EIOPA expected in 2nd half of this year.
- Communicating observations and suggestions for improvement in advance probably more powerful than waiting for formal consultation with likely a tight deadline.

Proportionality

Philip Neyt – 29 March 2022

Heterogeneity requires
proportionality

Proportionality must respect the
protection of members and
beneficiaries

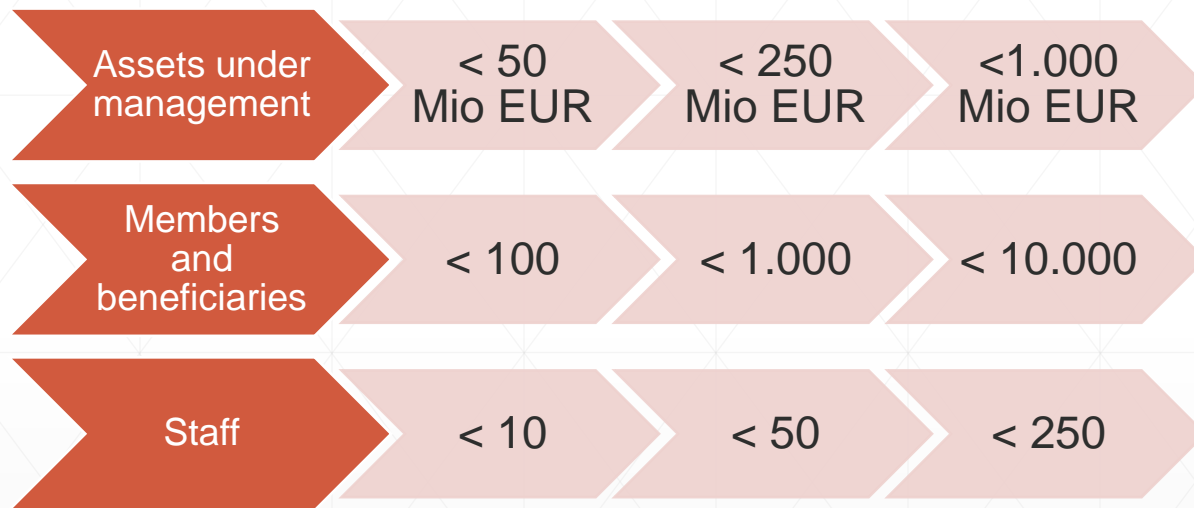
Proportionality in the prudential framework

- **IORP II Directive includes three ladders of proportionality:**
 - IORPs with less than 100 members may be excluded from the scope but:
 - all IORPs shall apply the rules on Asset's safety (articles 32-35), regardless of any MS option;
 - IORPs with more than 15 and less than 100 members shall apply the Prudent Person Rule (article 19(1) and System of Governance general article (article 21(1) and (2));
 - IORPs with more than 100 members shall apply the Directive but proportionality principle applies.
- **The IORP Directive recognizes and applies the principle of proportionality in several areas:**
 - Governance system, Remuneration policy, Key functions (actuarial, risk management and internal audit), Own Risk Assessment (ORA), Environment, Social and Governance (ESG) factors and Supervision.
- **The proportionality aspect is referred to in terms of**
 - proportionate to the size, nature, scale and complexity of their activities
 - proportionate to the size and internal organization of IORPs, as well as to the size, nature, scale and complexity of their activities
 - proportionate to the size, nature, scale and complexity of the risks inherent in its activities
- **Provided IORP II Directive is of a minimum harmonization nature, the further implementation of measures on proportionality is in the remit of the EU Member States national legislation.**

How many pension funds have less than 100 members?
How many countries have used article 5?

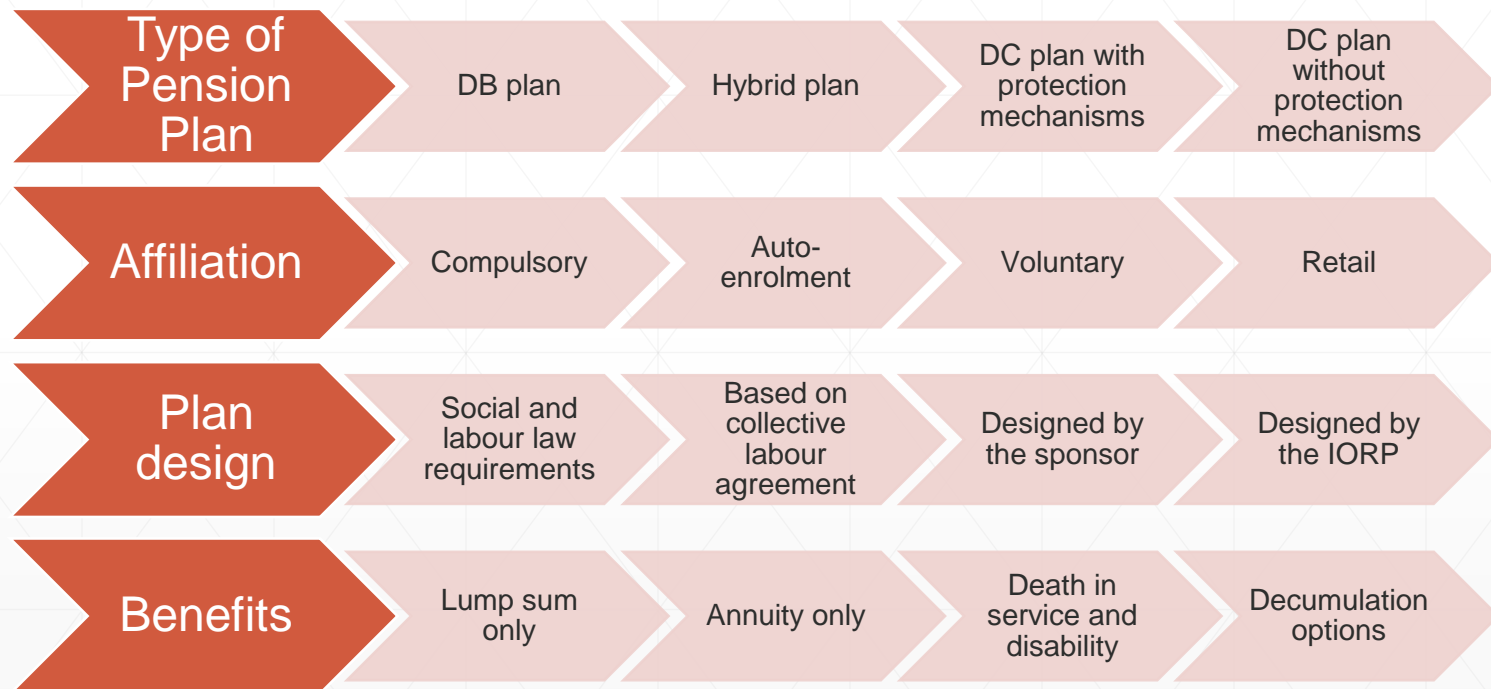
Proportionality – Size and scale

Micro, small and mid-size IORPs

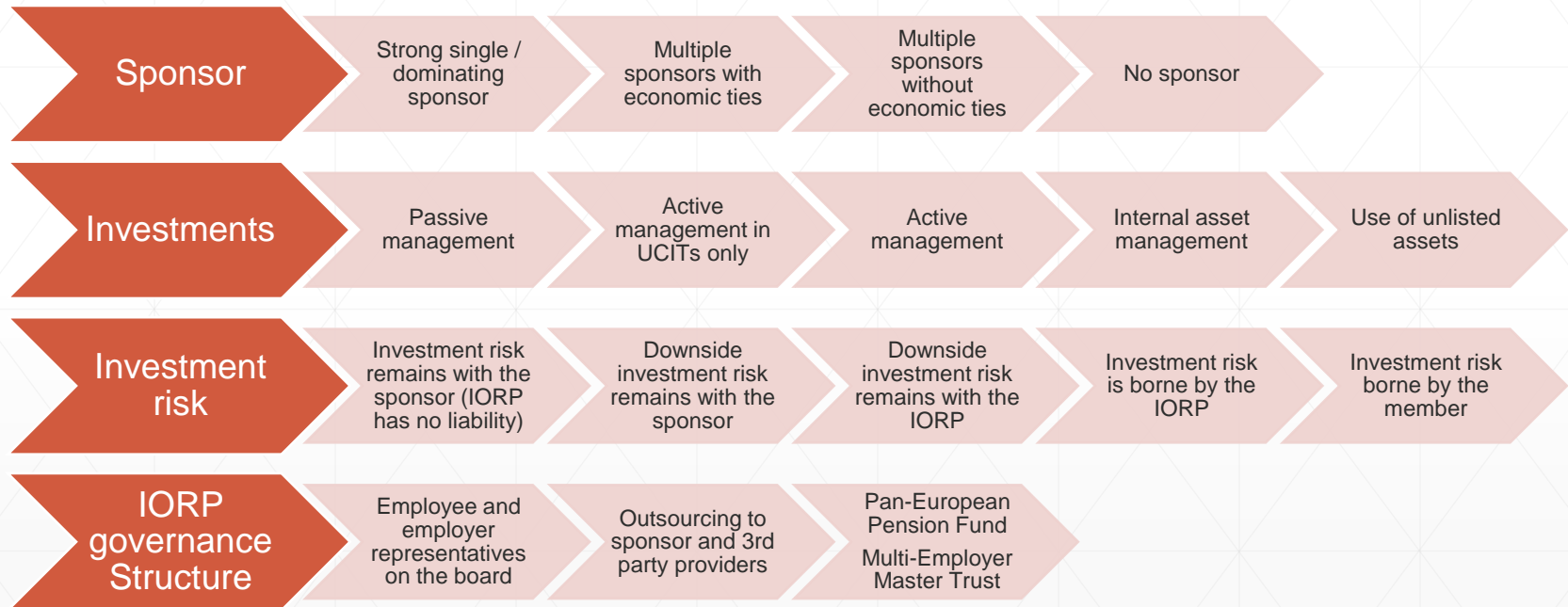


Regulations applicable to the whole financial sector often refer to IORP II Art 5 to determine the extend to which IORPs are in scope. Definitions on micro, small and mid-size IORPs, in terms of AUM, members and beneficiaries, and headcount could help in having more proportionate application of future regulations.

Proportionality - Nature



Proportionality - Complexity



IORP II review - Proportionality Reflections

- A number of issues arise with the implementation of IORP II :
 - IORP II art 5 does not really help proportionality because almost all Member States have decided to apply the Directive to all IORPs, including to those with less than 100 members
 - If applied, it's only regard to size and not based on other criteria, so did very few IORPs enjoy an easing of requirements; a **broadier view** is required in order to take into account scale/nature and complexity and the risk to which it is exposed.
 - As IORPS are very diverse across Europe, Member States follow different approaches when they agree to take into account the proportionality-principle
 - In its opinions, EIOPA tend to follow a “one-size-fits-all” approach to foster supervisory convergence. Proportionality measures are required because many IORPs struggle with the excessive burdens (and costs) associated with the many new regulations. Supervisory convergence only works for “equals”
 - What is the right balance between “minimum harmonisation”, acknowledging heterogeneity and supervisory convergence ?

IORP II review - Proportionality Reflections

- What could be done to improve the current situation?
 - As recommended in the ACP 2022 Advice, EIOPA should engage **in a more fundamental discussion on the set of criteria that could be used to measure proportionality taking into account specifics of IORPs.**
- In the meantime, EIOPA should
 - acknowledge the heterogeneity of the pension landscape within Europe and respect the minimum harmonization which was the guiding principle of the IORP II directive
 - Give a leeway to NCAs to deviate from its opinions to ensure an effective application of the principle of proportionality, taking account the specific situation of each Member States based on the principle “explain” (“comply or explain”).

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