September 2016

PensionsEurope welcomes the modernised rules for EU pension funds

The plenary vote in the European Parliament on the IORP II Directive[1] has been scheduled for October 2016. PensionsEurope recommends the MEPs to vote in favour of the modernised rules for pension funds. PensionsEurope shares the goal of the rules to facilitate the development of occupational retirement savings and to provide sustainable and adequate occupational pensions to the European citizens.

The IORP II Directive sets common standards ensuring the soundness of occupational pensions and better protects pension scheme members and beneficiaries, by means of among others: (i) new governance requirements, (ii) new rules on IORPs' own risk assessment, (iii) new requirements to use a depositary, and (iv) enhanced powers for supervisors. Furthermore, it facilitates IORPs' cross-border activities by introducing new transfer rules and by clarifying procedures, including the roles of authorities in home and host Member State and how they shall communicate with each other, and it encourages IORPs to invest long term in growth, environment and employment-enhancing economic activities by modernising investment rules. The IORP II Directive stresses that IORPs play an important role in the long-term financing of the Union's economy and in providing secure retirement benefits for citizens.

More information about pensions

The IORP II Directive requires IORPs to provide more information to their members and beneficiaries. IORPs shall draw up a concise 'Pension Benefit Statement' containing key information for each member. PensionsEurope welcomes the Pension Benefit Statement, but at the same time notes that numerous initiatives on information disclosure have taken place at Member States' level and that some of them are moving towards more simplified, understandable, and layered information.

Diversity of the European IORP landscape is respected

The new rules are more principles-based than the Commission's original proposal, and therefore, they take better into account the diversity of occupational pension systems across the EU. Furthermore, the IORP II Directive recognises that (i) the way in which IORPs are organised and regulated varies significantly between Member States – not least because their integration with the first pillar (state) pension provision varies, (ii) it is not appropriate to adopt a 'one-size-fits-all' approach to IORPs, and (iii) the Commission and EIOPA should take account of the various traditions of Member States in their activities and should act without prejudice to national social and labour law in determining the organisation of IORPs.

No delegated acts

Considering the diversity of occupational pension systems across the EU and the central role played by national social and labour law, PensionsEurope is pleased that Member States have flexibility to implement the IORP II Directive, and furthermore that the original proposals for additional measures to be specified via delegated acts have been removed from the legislation. PensionsEurope was not in favour of these delegated acts, because important political decisions (for example the methods to be used for identifying and evaluating risks) should be made by political bodies.

[1] Directive of the European Parliament and of the Council on the activities and supervision of institutions for occupational retirement provision (IORPs) (recast)

No new solvency capital requirements for IORPs

As EIOPA has also noted, new solvency capital requirements could have significant negative impacts on IORPs, sponsors, and members. They would significantly increase IORPs' costs and decrease the future coverage of occupational pension schemes. PensionsEurope is pleased that our concerns were taken on board and the IORP II Directive stresses that the further development at the EU level of solvency models, such as the holistic balance sheet (HBS), is not realistic in practical terms and not effective in terms of costs and benefits, particularly given the diversity of IORPs within and across Member States. PensionsEurope calls for policymakers and EIOPA to respect that no quantitative capital requirements - such as Solvency II or common framework models derived therefrom - should therefore be developed at the EU level with regard to IORPs. They would not add any additional security for members and beneficiaries, but instead, they would decrease pension funds' possibilities to participate in the Capital Markets Union, to invest long term in real economy and to contribute to jobs and growth in Europe, and the willingness of employers to provide occupational pension schemes.

IORPs are first and foremost institutions with a social purpose

The IORP II Directive stresses that IORPs are first and foremost institutions with a social purpose, and they should not be treated as purely financial service providers. It also states that IORPs' social function and the triangular relationship between the employee, the employer and the IORP should be adequately acknowledged and supported as guiding principles of the legislation. In addition, the IORP II Directive states that the Commission should undertake further steps in supporting Member States' cooperation with social partners in the improvement of second pillar pension schemes and establish a High Level Group of experts to enhance second pillar retirement savings in the Member States. PensionsEurope supports setting up such a group and would welcome the opportunity to work closely with it.

Review of the IORP II Directive shall take place six years after its entry into force

Until the review of the IORP II Directive, PensionsEurope calls for a period of legislative calm in order that pension funds can concentrate on delivering adequate, safe and affordable pensions and retirement provisions for their members and beneficiaries. PensionsEurope looks forward to sharing the best practices on the implementation of the IORP II Directive and to working with the European Commission in relation to the next review.

About PensionsEurope

PensionsEurope represents national associations of pension funds and similar institutions for workplace pensions. Some members operate purely individual pension schemes. PensionsEurope Members are large institutional investors representing the **buy-side** on the financial markets.

PensionsEurope has **24 member associations** in EU Member States and other European countries with significant – in size and relevance – workplace pension systems.

PensionsEurope member organisations cover the workplace pensions of about **70 million European citizens.** Through its Member Associations PensionsEurope represents more than **€ 3.5 trillion of assets** managed for future pension payments.

PensionsEurope also has **27 Corporate and Supporter Members** which are various service providers and stakeholders that work with IORPs.

PensionsEurope has established a **Central & Eastern European Countries Forum (CEEC Forum)** to discuss issues common to pension systems in that region.

PensionsEurope has established a **Multinational Advisory Group (MAG)** which delivers advice on pension issues to PensionsEurope. It provides a collective voice and information sharing for the expertise and opinions of multinationals.

Contact:
Mr Matti LEPPÄLÄ, *Secretary General/CEO*
Koningsstraat 97, rue Royale – 1000 Brussels, Belgium
Tel: +32 (0)2 289 14 14 – Fax: +32 (0) 289 14 15
matti.leppala@pensionseurope.eu
www.pensionseurope.eu