



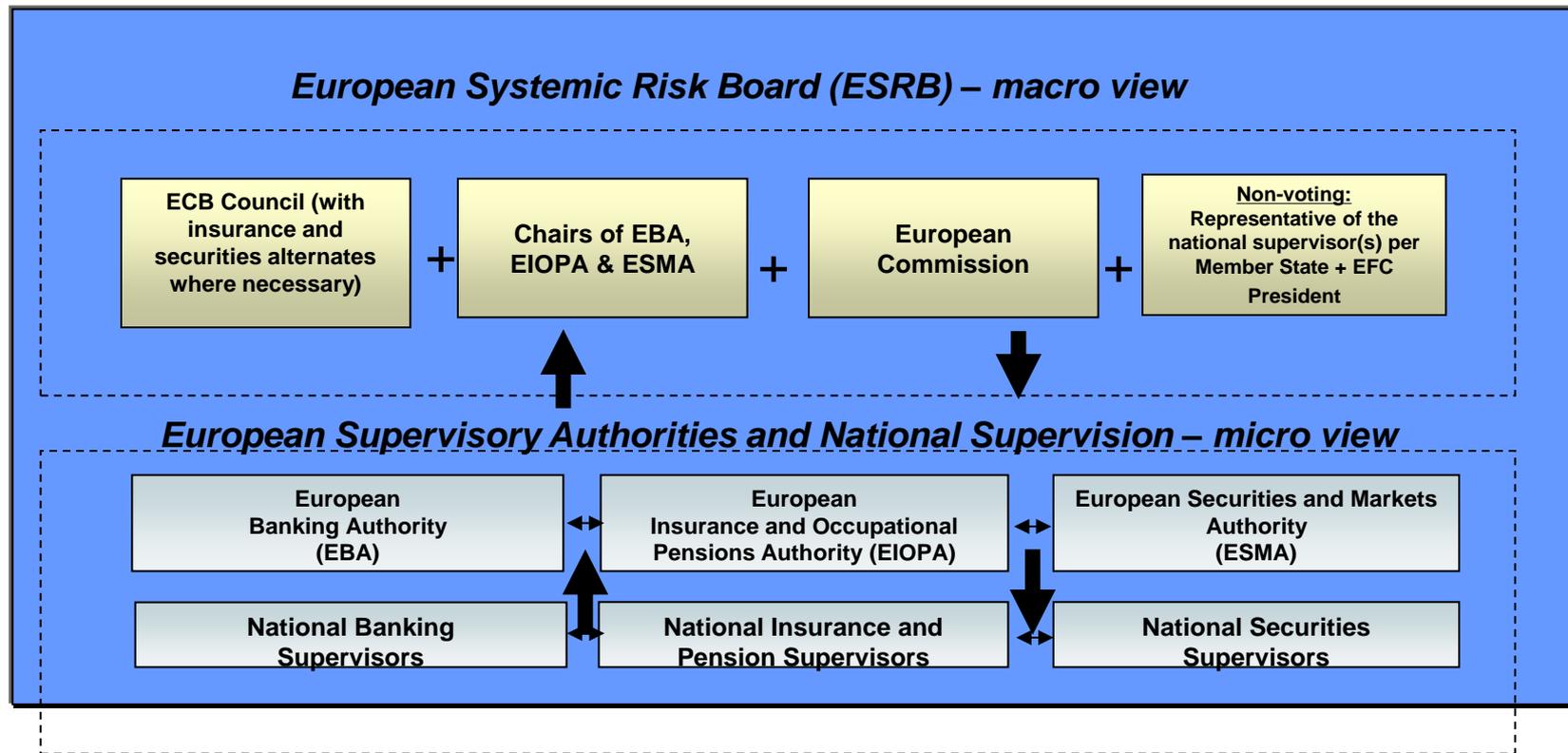
eiopa
EUROPEAN INSURANCE
AND OCCUPATIONAL PENSIONS AUTHORITY

Adjustment to pension system parameters

ASSAL/AIOS/IAIS
Santiago de Chile, 17 April 2017

The role of supervisors and political authorities in the European system of financial supervision

European System of Financial Supervision



- EIOPA and national supervisory authorities are independent from each other with clearly confined responsibilities
- EIOPA is governed by its Board of Supervisors, the heads of supervision of the 28 national authorities
- National supervisors will continue to carry out day-to-day supervision
- European Commission currently consulting on the operations of the European Supervisory Authorities

For pensions, what are the boundaries between European and national competencies?



EIOPA Regulation - Article 1

Establishment and scope of action

1. This Regulation establishes a European Supervisory Authority (European Insurance and Occupational Pensions Authority) (hereinafter the Authority').

.....

4. With regard to institutions for occupational retirement provision, the Authority shall act without prejudice to national social and labour law.

IORP II directive

(3) This Directive is aimed at minimum harmonisation and therefore should not preclude Member States from maintaining or introducing further provisions in order to protect members and beneficiaries of occupational pension schemes, provided that such provisions are consistent with Member States' obligations under Union law. This Directive does not concern issues of national social, labour, tax or contract law, or the adequacy of pension provision in Member States.

What role can EIOPA play given national authorities have direct competence for parameter adjustment?



- EIOPA can provide the conditions for better analysis of whether to change parameters
 1. Enhance transparency
 2. Provide a common basis for analysis
 3. Design frameworks for Europe-wide products
 4. A force for improvement
 5. Support the internal market

Enhance transparency: map the diversity (i)

- *Question 6 Use of default funds*

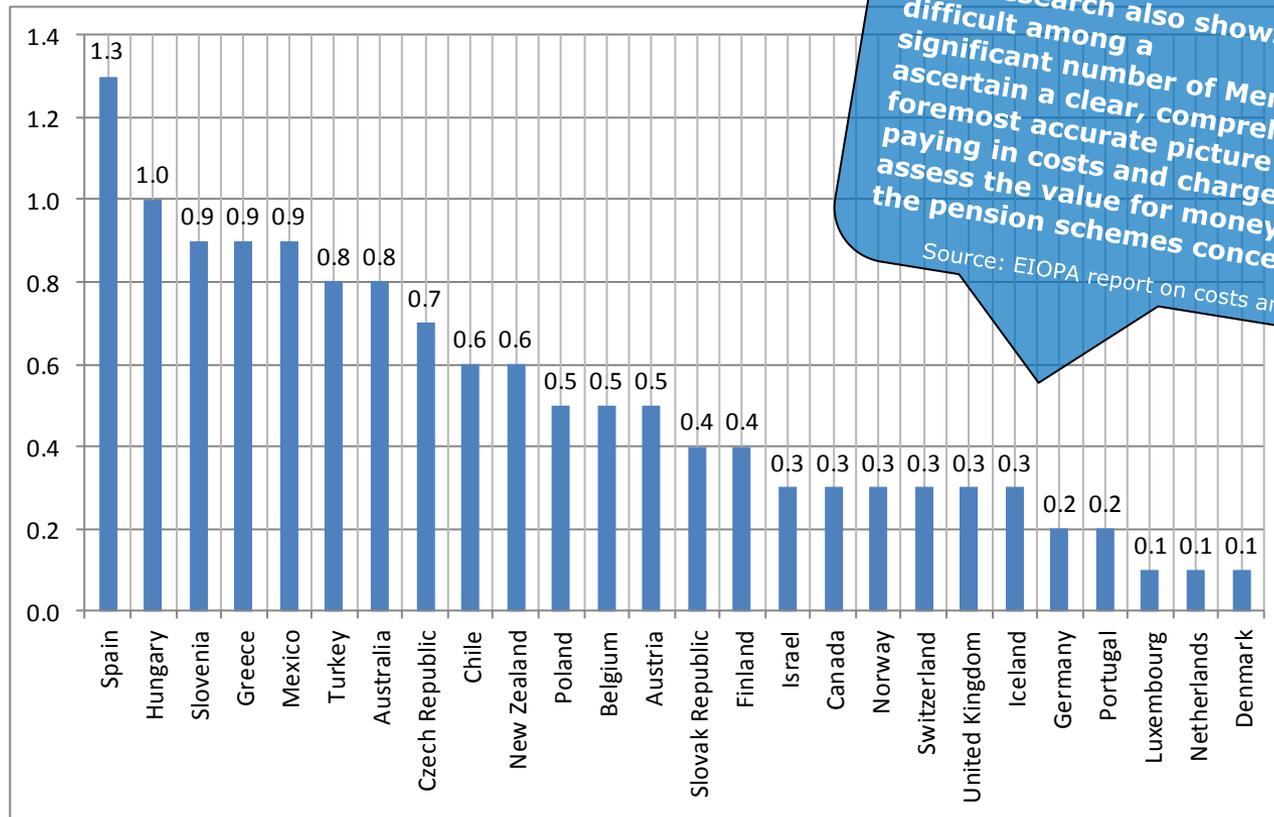
Question six asked MS to confirm whether default funds were used in pension products in their jurisdiction either on a mandatory or voluntary basis.

Default options are used (either on a mandatory or voluntary basis)	Default options are not used
EE (1st pillar bis), ES (IORP DC), FI, HU, IE (PRSA), IT, LI, LV (1st pillar bis), MT, NL (second pillar), NO, PL, PT, SE, SI, SK (SK-2), UK (IORP, PP, GPP – mandatory if GPP or IORP is used for automatic enrolment)	AT, BE, CZ, DE, DK, EE (3rd pillar), ES (IORP DB, PP) IE, LT, LU CSSF, NL(3rd pillar), PL (1st pillar and 1st pillar bis, IORP, individual pensions in the form of agreement with a bank, with a brokerage house and with a voluntary pension fund), SK (SK-1)

Enhance transparency: map the diversity (ii)

Pension funds' operating expenses as a share of total investments in selected OECD countries, 2011

As a percentage of total investment



"The research also shows that it is highly difficult among a significant number of Member States to ascertain a clear, comprehensive and foremost accurate picture of what parties are paying in costs and charges and to assess the value for money or affordability of the pension schemes concerned."

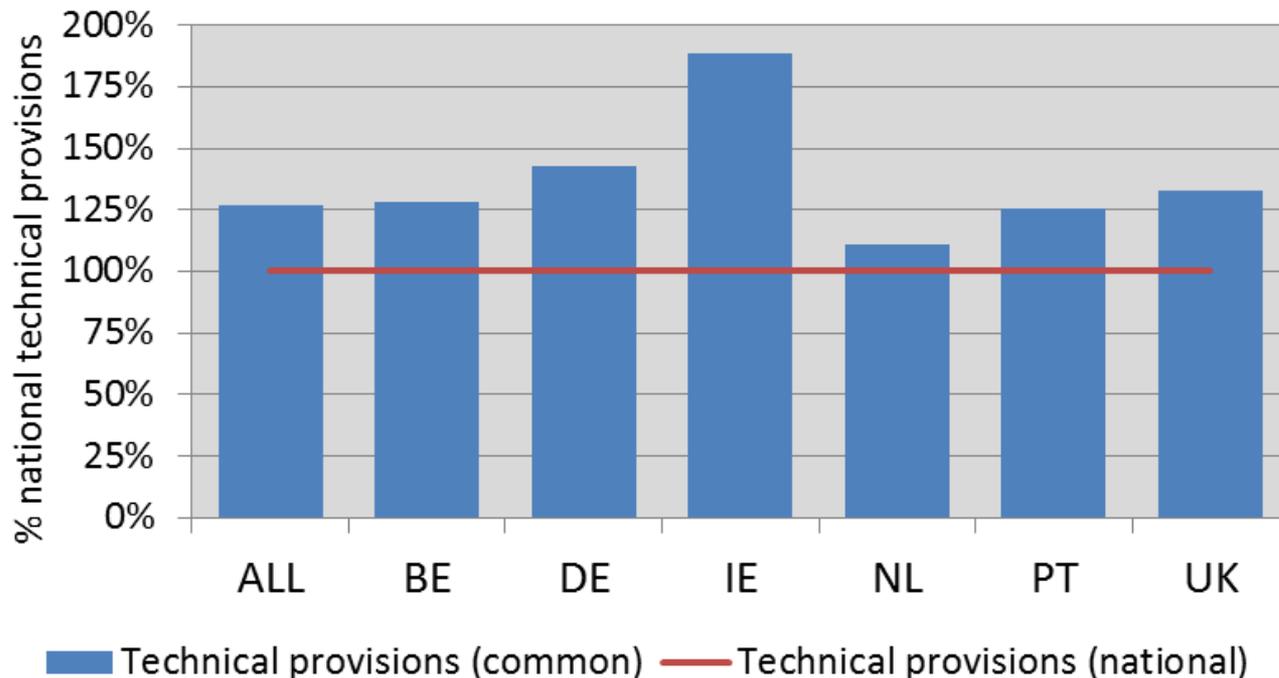
Source: EIOPA report on costs and charges of IORPs, 2015

Source: OECD, Global Pension Statistics

StatLink: <http://dx.doi.org/10.1787/888932908231>

Provide a common basis for analysis: common methodology

- Heterogeneous discount rates range from risk-free market rates to expected returns on assets
- Market-consistent technical provisions 27% higher than under national regime



Provide a common basis for analysis: first Europe-wide stress test



Scenario	NBS	EIOPA Common methodology*
DB/Hybrid pre-stress	-78 bn EUR	- 428 bn EUR
DB/Hybrid Market Adverse 1	- 373 bn EUR	- 755 bn EUR
DB/Hybrid Market Adverse 2	- 346 bn EUR	- 773 bn EUR
DB/Hybrid Longevity	- 164 bn EUR	- 526 bn EUR

Important elements to consider:

- ✓ Liabilities have a very **long-term nature**
- ✓ Regulatory regimes usually include substantial **recovery periods**
- ✓ Future gaps can usually be covered by **sponsor's contributions** and/or **benefit adjustment** mechanisms

* In this case excluding benefit reductions, sponsor support and PPS

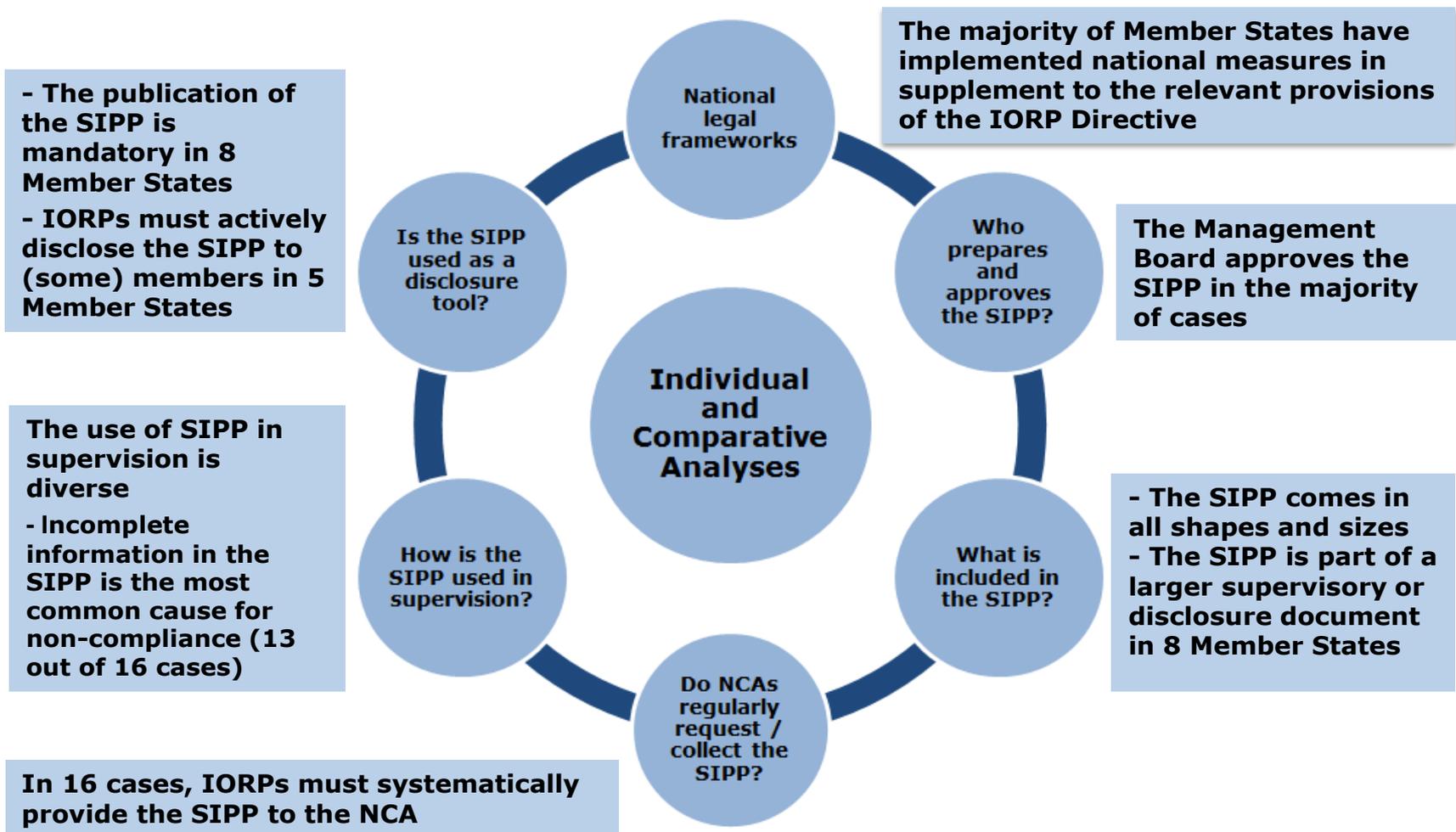
- 2nd regime – Pan-European Personal Pension Product
 - Regulation – overcoming barriers to cross-border activities to the extent possible
 - Enables standardisation:
 - Transparency
 - Economies of scale
- Efficient tool to foster an EU Single Market for Personal Pension Products

Design frameworks for Europe-wide products: the Pan-European Personal Pension (ii)

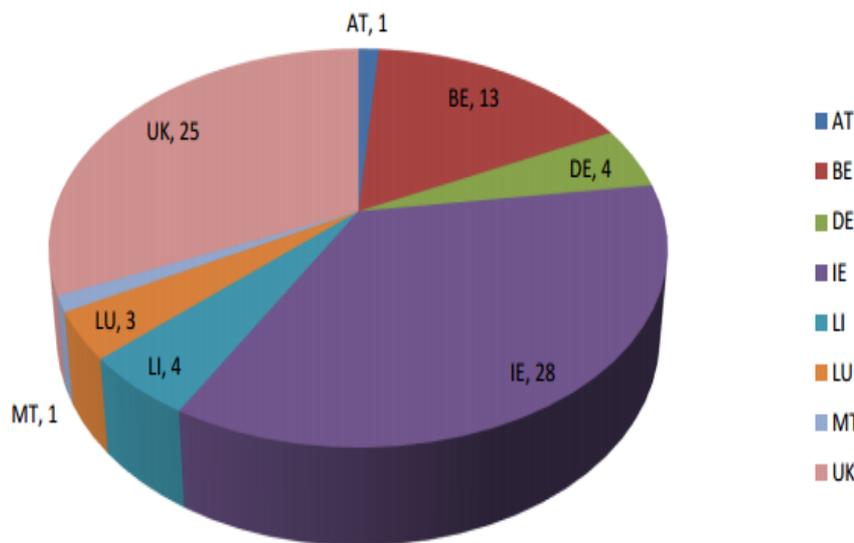
Pan-European Personal Pension Product (PEPP)				
Standardised elements:	Information provision		Flexible elements:	Guarantees
	Default investment option	"core"		Cap on cost and charges
	Limited choices	investment		Switching

- Also starting to consider pan-European DC occupational pensions

A force for improvement: peer review on statement of investment policy principles



Home States, number of active cross-border IORPs



Budapest Protocol

- Rules describing all aspects of practical cooperation between Competent Authorities in the area of cross-border activity as described in current IORP Directive.
- In force since 30 October 2009.
- Applies to CEIOPS members and EFTA member states that have adhered to Protocol.

- Supervisory authority for pensions exists both at European and national level
- The key boundaries between supervisors and the political authorities are on social and labour law, and on taxation
- EIOPA can provide the conditions for better analysis of whether to change parameters
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Thank you

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