

# Towards a European pension policy ?



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# About EFRP



## 26 Member Associations

### **14 EU Member States**

(AT, BE, DE, ES, FI, FR, HU, IE, IT, NL, PT, RO, SE, UK)

### **5 non-EU**

(CH, GG, HR, IS, NO)

### **EFRP core Membership:**

workplace pension providers

### **EFRP CEEC Forum**

(BG\*, CZ, EE, HR, HU, LT, LV, PL\*, RO, SK)

Membership represents € 3,7 trillion for future pension payments of 77 million European citizens

# EC Green Paper – context

(1)



- EC Green Paper launches a European debate about the key challenges pension systems are facing
- Financial crisis followed by a sovereign debt crisis – *“impact of public pension expenditures on public finances in one MS may have serious repercussions in others”* → **new fact**
- Pension systems must be
  - Sustainable
  - Adequate
  - Safe
- EU can help but constraint: **subsidiarity principle**

# EC Green Paper – context

## (2)



- **holistic approach** : to integrate the linkages between economic, social and financial market policies
- wide ranging consultation - broad range of issues
- EFRP has established **[www.eupensiondebate.eu](http://www.eupensiondebate.eu)** to capture all the aspects of the consultation period and to stimulate the debate on pensions in Europe

# Bringing the pieces together

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EC has already worked on pensions

- **Economic & budgetary approach**
  - Ageing report
  - Sustainability report
- **Social Affairs approach**
  - SPC work on private pensions
  - Open-Method-of-Coordination
  - Proposal for a “portability Directive” – blocked in Council
  - Insolvency Dir.
- **Internal market approach**
  - IORP Directive (2003/41/EC)
  - Consultation on solvency rules
- And also CEIOPS has given input on MS workplace pension systems

# Bringing the pieces together

## (2)



- EC Green Paper provides opportunity to take stock of changes occurred in the European pension landscape
  - **Pension reform** in the MS → State pension cuts, increasing retirement ages, promotion of workplace pensions, etc.
  - **Enlargement** → mandatory privately managed pension systems with individual accounts
  - **DB closures** → shift towards DC pensions and the introduction of all kinds of mechanisms to have “smart” DC

# EFRP preliminary views (1)



- EFRP supports **holistic approach**: bringing the pieces together
- Opportunity to come to grips with **diversity** of pension systems;
  - Especially specific characteristics of the pension systems in NMS are insufficiently taken into account in the Green Paper;
- Urgent need to return to **sustainable public finances** in Europe as soon as possible
  - Impact of the financial crisis on PAYG systems is insufficiently acknowledged in the EC Green Paper (i.a. risk of inflation)
- Fiscal costs of funded pensions overstated in the Green Paper
  - funded pensions = investments for the future and provide future taxable income

# EFRP preliminary views (2)



- More private pension provision is needed – **more coverage**
  - pension reforms have drastically reduced pension benefits → citizens have been insufficiently informed of this → pension “gap”
- Call for a **due consultation process**
  - No fragmented initiatives taken before Commission has drawn conclusions
  - Warning on attempts to revise solvency rules of IORPs as a “technical matter”
- **No need** for an urgent review of the IORP Directive
- A revised Dir. should be relevant for **all** European citizens
- Portability/transferability of workplace pensions starts at domestic/national level
  - EU level: need to decide which systems/schemes are “corresponding” otherwise no progress will be booked in this area
- **Mapping** all the different EU-27 pension systems in an “EU template”

# EC Green Paper – unique opportunity for CEEC private



- To **communicate and strengthen knowledge** on CEEC pension systems, esp. mandatory funded
- To put CEEC issues forward that **foster the development of private pensions** in the CEE region:
  - consistent flow of contributions towards mandatory 2nd pillar pensions
  - Appropriate regulatory framework and supervision for both mandatory and voluntary systems
- To push for implementation of **Stability and Growth Pact** which is conducive for structural reforms such as pension reform.
- ! EC proposals on economic governance of 29 September 2010 :
  - Deficit and debt
  - Take account of pension reforms

# European authority – EIOPA

(1)



- Financial crisis has triggered overall reform of the European supervisory framework
  - Macro: European Systemic Risk Board
  - Micro: European System of Financial Supervisors
    - Level 3: CEIOPS → **EIOPA**
      - European standard setter → draft binding technical standards (to be adopted by EC)
      - Proposal for an Omnibus Directive → changes to the IORP Directive
    - EIOPA will be based in Frankfurt
    - EIOPA staff = 90 persons

# European authority – EIOPA

## (2)



- EIOPA will have two stakeholders groups
  - Insurance and Re-insurance
  - Occupational Pensions
  - 30 experts per Stakeholder Group
- More harmonised financial services legislation will be inevitable
  - Challenging for IORPs due to specific role of occupational pensions in MS social protection systems

# IORP Dir. modified to empower EIOPA



## Main changes :

- Mandatory **national IORPs register** (art. 9, 1a)
- **Prior authorisation** for cross border providers (art. 5)
- Draft technical standards on
  - **forms and formats**, i.a. Investment policy principles, evidence contributions have been paid, etc. (art. 13, new par.)
  - **Procedures and formats and templates** to exchange information among supervisors (art. 20)
- **Notify EIOPA** of prohibition of activities of cross-border providers (art. 14, 4) + generally include them in cooperation among Member States and the EC (art. 21)
- **EIOPA advice** needed for EC drafting a report on **calculation of technical provisions** (art. 15, 6)

# Contact



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