

Activities and supervision of institutions for occupational retirement provision (IORPs). Recast

2014/0091(COD) - 03/02/2016 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted the report by Brian HAYES (EPP, IE) on the proposal for a directive of the European Parliament and of the Council on the activities and supervision of institutions for occupational retirement provision (recast).

The committee recommended that the European Parliament's position, adopted at first reading following the ordinary legislative procedure, should amend the Commission proposal as follows:

Purpose and scope: Members stressed that institutions for occupational retirement provision play an important role in the long-term financing of the Union's economy and in providing secure retirement benefits for citizens of the Union. Member States should take into account the objective for all institutions of ensuring the intergenerational balance of occupational pension schemes, by aiming to have an **equitable spread of risks and benefits between generations**.

This Directive aims to provide for **minimum harmonisation** and should not preclude Member States from maintaining or introducing further provisions in order to protect members and beneficiaries, provided that such provisions are consistent with Member States' obligations under Union law. The Directive does not concern issues of national social, labour, tax, and contract law, nor the adequacy of pension provisions in Member States,.

The Directive shall:

- encourage Member States to build up **safe and adequate occupational pension provision** and facilitate cross-border activity;
- ensure good governance, provision of information to scheme members, transparency and safety of occupational retirement provision;
- facilitate the development of new and innovative pension products within collective systems which aim to guarantee adequate retirement provisions for all;
- **clarify the procedures** enabling institutions to carry out cross-border activity and remove unnecessary obstacles, which hamper such cross-border activity.

Registration or authorisation: Member States shall, in respect of every institution located in their territories, ensure that the institution is registered in a national register, or authorised, by the competent authority. The location of the main administration refers to the place where the main strategic decisions of an institution are made. Member States shall require an institution to have its main administration in the same Member State as its registered office.

Transfers of pension schemes: according to the amended text, Member States shall allow institutions authorised or registered in their territories to transfer all or a part of a pension scheme's liabilities, technical provisions, other obligations and rights and corresponding assets, and cash equivalent thereof, to a receiving institution. In the event of a transfer of part of a pension scheme, Member States shall require the transferring and the receiving institution to have **sufficient and appropriate assets** to cover the technical provisions for the transferred part and the remaining part of the scheme.

The transfer and its conditions shall be made **subject to prior approval by a majority of members** and a majority of the beneficiaries concerned or, where applicable, by a majority of their representatives. Members stated that the application for authorisation of the transfer shall be submitted by the receiving institution.

Duty of Care: where a cross-border transfer has been approved by members and beneficiaries of a pension scheme and where the transferring institution provides cover against biometric risks or guarantees either an investment performance or a given level of benefits, **the European Insurance and Occupational Pensions Authority (EIOPA)** shall, at the request of the competent authorities of the home Member State of the transferring institution, assess: (i) whether there could be any systemic risk to the Union financial system arising from the transfer and, (ii) whether the long-term interests of members and beneficiaries are negatively affected if the scheme were to be operated in the home Member State of the receiving institution.

System of governance: institutions shall establish and apply written policies in relation to risk management and internal audit. Those **written policies** shall be subject to prior approval by the management or supervisory body of the institution and shall be reviewed at least every three years.

Persons who effectively run the institution should **collectively be fit and proper** and persons who perform key functions should have **adequate professional qualifications, knowledge and experience**. However, only the key function holders should be subject to notification requirements to the competent authority.

Member States shall require institutions to establish and apply a **sound remuneration policy** for all those persons who effectively run the institution, perform key functions and other categories of staff whose professional activities have a material impact on the risk profile of the institution.

The remuneration policy is in line with the risk profile and the long-term interests of members and beneficiaries of pension schemes operated by the institution.

Member States should be able to authorise the institution to conduct key functions through the same person or through an organisational unit provided that **no conflict of interest exists** and the institution has adequate measures to address and prevent any conflict of interest.

Information to be given to prospective members, members and beneficiaries: in order to protect members and beneficiaries, institutions for occupational retirement provision should limit their activities, and those arising therefrom, to those referred to in this Directive and provide **clear and relevant information** to members and beneficiaries for the purpose of ensuring good governance and risk management.

Where prospective members do not have a choice and are automatically enrolled in a pension scheme, the institution should provide them with the key relevant information about their membership immediately after enrolment.

Beneficiaries shall also be informed of **any potential reduction in the level of benefits** due, prior to any decision on such a potential reduction.

Member States shall ensure that members are sufficiently informed of the conditions of the pension scheme, in particular concerning the risks borne by members and beneficiaries associated with the pension scheme.

Pension benefit statement: institutions shall be required to draw up a concise document containing **key relevant information for each member**. The pension benefit statement should be clear and

comprehensible and should contain relevant and appropriate information to facilitate the understanding of pension entitlements over time and across schemes and serve labour mobility. The information contained in the pension benefit statement shall be accurate, and updated and sent to each member, free of charge, at least annually.

Prudential supervision: Member States shall lay down rules on administrative **penalties** and other administrative measures applicable to all infringements of the national provisions transposing this Directive.

The competent authority shall publish without undue delay any administrative penalty or other administrative measure that has been imposed for an infringement of the national provisions transposing this Directive, and against which no appeal was lodged in time, including information on the type and nature of the infringement and the identity of persons held responsible.

It is stipulated that Articles 66 (professional secrecy) and 67 (use of confidential information) shall be without prejudice to the powers of investigation conferred on the European Parliament.

Closing the gender pension gap: taking into account that the gender pension gap in the Union is 39 % on average, the Commission should study extensively the impact of different pillars, pensions systems and their structures on both women and men. Based on the results, the Commission should propose actions and possible structural changes that are needed in order to ensure equal levels of pensions for women and men across the Member States.