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1 EIOPA work on the implementation of the IORP II Directive

Following its 2021 Annual Work Programme, EIOPA continues to work on the implementation of the IORP II Directive. In particular, EIOPA is currently actively working on two opinions that are expected to be delivered by the end of the year: an Opinion on the reporting of costs and charges of IORPs, and an Opinion on DC risk assessment.

In January 2021, PensionsEurope and other selected stakeholders have been invited to two workshops aimed at sharing existing practices, and at introducing EIOPA's preliminary approaches to the upcoming opinions and gathering a first feedback from stakeholders.

The timeline of EIOPA's work on these two opinions is as follows:

- April 2021: launch of a 3-months public consultation on the draft opinions
- July – August 2021: finalization of EIOPA opinions
- Q4 2021: publication of the final opinions

PensionsEurope has provided an informal feedback on EIOPA's preliminary proposals on these opinions. We aim to respond to the public consultations on the draft opinions that will open in April.

2 How should EIOPA stress test IORPs?

On 18 February 2021, EIOPA will organise a virtual workshop on improving its future stress testing methodology for IORPs. Together with AEIP, we have been invited to give presentations on liquidity stress testing and how to enhance the horizontal approach between DB/hybrid and DC parts of the stress tests. The third main discussion topic in the workshop will be how to improve the ESG stress testing methodology for IORPs.

To broaden its future IORP stress test toolbox, EIOPA is also interested in exploring stress testing methodologies on labour market and inflation risks and what their impact would be on the economy, consumption, and IORPs' members and beneficiaries. Regarding the labour market, according to EIOPA the PEPP stochastic model developed by EIOPA with the help of the OECD could be a good starting tool.

We have stressed to EIOPA that it should consider alternative and more appropriate stress testing methodologies, to its "common balance sheet" (CBS) – in particular a cash flow analysis – develop them further, and preferably replace the CBS in the long run. In its common stress testing methodology, we have also encouraged EIOPA to use realistic return assumptions, such as expected returns (instead of risk-free return assumptions). Importantly, we have helped EIOPA to strengthen proportionality in its methodology and to make sure that their stress test exercises will not become too burdensome, costly and complex for participating IORPs.

In June 2021 EIOPA will publish a discussion paper on improving its IORP stress testing methodology and stakeholders will have 3 months to answer to that consultation.

3 Sustainable Finance Disclosure Regulation (SFDR) – RTS and other updates

In January 2021, the three European Supervisory Authorities (EBA, EIOPA and ESMA – ESAs) sent a letter to the European Commission identifying several priority questions pertaining to the SFDR that would benefit from an urgent clarification to facilitate an orderly application of the disclosure Regulation. Among the priority questions raised in the letter, the ESAs ask the Commission for further clarification on the scope of application of articles 8 and 9.

On 4 February 2021, the Joint Committee of the ESAs delivered to the European Commission (EC) the Final Report, including the draft Regulatory Technical Standards (RTS), on the content, methodologies and presentation of sustainability-related disclosures under the SFDR Regulation (Regulation (EU) 2019/2088).

The proposed RTS aim to strengthen protection for end-investors by improving ESG disclosures to end-investors on the principal adverse impacts of investment decisions and on the sustainability features of a wide range of financial products. This will help to respond to investor demands for sustainable products and reduce the risk of greenwashing.

As the ESAs were not empowered to differentiate the disclosures between financial market participants and products, the RTS contain a harmonised approach to all financial products. Therefore, the same disclosures are required for a very broad range of products attached as annexes to existing sectoral disclosure documents that have different levels of granularity and length.

The EC is expected to endorse the RTS within 3 months. While financial market participants and financial advisers are required to apply most of the level-1 provisions on sustainability-related disclosures laid down in the SFDR from 10 March 2021, the application of the RTS will be delayed to a later date according to the EC letter to the ESAs. The ESAs have proposed in these draft RTS that the application date of the RTS should be 1 January 2022.

The ESAs plan to issue a public supervisory statement before the application date of SFDR in order to achieve an effective and consistent application of the SFDR's requirements and consistent national supervision of the SFDR.

4 Green Paper on Ageing under consultation

On 27 January 2021, the European Commission (EC) published the Green Paper on Ageing and opened a 3-month public consultation on it.

The EC has put demography high on the EU policy agenda. In June 2020, it presented the report on the impact of demographic change setting out the key facts of demographic change and its likely impacts. The green paper on ageing is the first outcome of this report and its purpose is to launch a broad policy debate to discuss options on how to anticipate and respond to the challenges and opportunities ageing brings. The green paper takes a life-cycle approach reflecting the impact of ageing and the wider societal implications in several policy areas, including pensions.

The green paper reflects upon the challenges posed by ageing on maintaining adequate, fair and sustainable pensions and on the need for people to accumulate additional savings. Chapter 4 relates to the new opportunities and challenges in retirement and addresses in sub-chapter 4.3 those to ensure adequate, fair and sustainable pension systems.

Notably, with regards to supplementary pensions, the green paper states that “Citizens need to be made aware of the status of their retirement entitlements. High quality, safe and cost-effective supplementary pensions, including the pan-European personal pension product (PEPP), that complement statutory pension schemes can provide additional retirement savings. Policies to facilitate and encourage participation in supplementary pension schemes should consider their fiscal cost and distributive effect, and strike a balance between broad and inclusive coverage and safeguards against the effects of market volatility on the one hand and cost-effectiveness on the other.”

PensionsEurope will work with its members to answer to the public consultation.

5 Digital finance – same activity, same risk, same rules?

While we have continued exchanging views with the policymakers on the ‘Digital Operational Resilience Act' (DORA) proposal and have continued working on our concrete technical amendment proposals on how to strengthen the proportionality in DORA, the European Commission already requested a further advice from the European supervisory authorities (ESAs) on 2 February 2021. In that advice, the Commission invites the ESAs to advise on how to address “same activity, same risk, same rules” issues, more fragmented value chains, the scope of the supervisory perimeters, the prudential risks related to non-bank lending, and the protection of clients’ funds. The advice will help the Commission to assess whether it should propose further changes to the EU's prudential and conduct regulation and supervision rules.

In general, policymakers seem to understand that significant differences exist between various financial entities in terms of size, business profiles and in relation to their exposure to digital risk meaning that also the consequences from cyber risks and ICT-related incidents faced by various financial entities differ greatly from one entity to another. We have stressed that any measures to increase digital operational resilience should be proportionate not only to the type, size, or financial profile of a relevant entity, but also to the risks they are exposed to and the systems and services that need to be protected and maintained.

In the field of financial services, the DORA proposal is one of the priority files for the Portuguese Presidency of the Council of the EU and its goal is to advance the discussions in the Council as much as possible, aiming to agree on the Council mandate for negotiation on the DORA and the other parts of the Digital Finance Package including the legislative proposals on the 'Regulation on Markets in Crypto Assets' (MiCA) and the pilot regime for market infrastructures based on distributed ledger technology.

6 PEPP

On 18 December 2020 DG FISMA published the European Commission (EC) Delegated Regulation supplementing the PEPP Regulation with regard to regulatory technical standards specifying the requirements on information documents, on the costs and fees included in the cost cap and on risk-mitigation techniques for the PEPP.

The texts published consist of:

- the Delegated Regulation;
- 3 Annexes further specifying:
  - Template for the PEPP KID;
  - Template for the PEPP Benefit Statement;
  - Inputs, assumptions and methodologies underpinning the presentation of risk and reward and the calculation of costs.

As expected, the EC confirmed the draft text previously submitted by EIOPA, including the specifications on the fee cap.

At the end of last year PensionsEurope presented its concerns about the inclusion of the cost of the mandatory personalized advice within the 1% fee cap for the basic PEPP to the EC and the European Parliament (EP). Unfortunately, DG FISMA did not see any room to amend the drafts proposed by EIOPA, and it is most likely that the EP will not object the draft delegated regulation published by the EC.

As for the next steps, the delegated acts will enter into force only if no objection has been expressed either by the EP or by the Council within a period of three months (as from 18 December 2020) or if, before the expiry of that period, they both inform the EC that they will not object (“early non-objection”). The three months period could also be extended by three months at the initiative of the EP or of the Council.

Therefore, most likely, the delegated acts will be published in the EU OJ at the end of March 2021 and the PEPP Regulation will apply 12 months after.

7 European Commission call for advice to EIOPA on pension dashboard and tracking services

On 21 December 2020, DG FISMA has sent a request to EIOPA for technical advice on the development of best practices for national pension tracking systems and a pension dashboard. You can find at this link the letter sent by John Berrigan, Director General at DG FISMA, European Commission, to Gabriel Bernardino, Chair of EIOPA.

In September 2020, the Commission published its new Action Plan on the Capital Markets Union (CMU). In this Action Plan, the Commission acknowledged that with longer life expectancy, people increasingly need to invest long-term so they can get higher sustainable returns and a suitable complementary income for their retirement. More specifically, Action 9 committed the Commission to develop best practices in the area of pensions that will assist Member States and citizens facing demographic challenges. The opportunities provided by the CMU can lead to greater incentives for pension savings and a greater supply of capital, which can help finance the long-term growth of the real economy, as well as its green and digital transition.

Within Action 9, the CMU Action Plan envisaged three specific actions on pensions:

A. The development of best practices for the set-up of national tracking systems in order to facilitate access to individualised pension information and raise people's awareness about their future retirement income.
B. The identification of the relevant data and methodology for developing national pension dashboards with indicator in order to strengthen the monitoring of the state of play as regards pension adequacy in Member States.
C. A study to analyse auto-enrolment practices and eventually other practices to stimulate participation in occupational pension schemes, with a view of developing best practices for such systems across Member States (Q3 2020 – tender already published).

While for the study on auto-enrolment the European Commission decided to issue a public tender, for the first two actions they have requested the technical advice of EIOPA. With this letter, the Commission is officially requesting EIOPA's advice to (1) develop best practices for the set-up of national tracking systems for individuals that will facilitate access to individualised pension information for citizens and thus raise awareness as regards their future retirement income and (2) to identify what kind of information is essential to perform long-term projections about the contributions to and receipts from both occupational pensions and private personal pensions at Member State level and the type of indicators to be included in pension dashboards.

Both parts of the advice shall be delivered by 1 December 2021.

Following up on the Commission call for advice EIOPA issued a call for experts to join a Practitioners Network on Pension Tracking Systems (Network) on 14 January 2021. The expertise gathered from the Network should benefit the work of EIOPA, e.g. by sharing technical expertise and collecting evidence.

Members will be selected for a one-year term, with the possibility of the extension for one more year.

8 PensionsEurope partners with Climate Action for Sustainable Investment Forum

PensionsEurope has partnered with Climate Action to support the Sustainable Investment Forum Europe 2021, taking place online on **13, 15, 22 and 23 April 2021.** The forum will convene more than 300 asset owners, asset managers, service providers and policy-makers to discuss how investors are aligning with global climate and sustainability targets.

Don't miss this opportunity to hear how investors are incorporating sustainability and ESG into their investment strategies and how initiatives like the Sustainable Development Goals (SDGs) and the European sustainable finance action plan are driving the move towards a low-carbon and sustainable economy.

Financial markets are global, and so are the challenges to deliver on the SDGs. It is therefore time to align these various initiatives to develop compatible markets for ESG and green financial assets across borders. A coordinated international approach on sustainable finance is a precondition for unlocking the considerable potential of sustainable finance and raise the importance of ESG investing worldwide.

This is a timely forum as the world faces a serious investment gap in delivering on the Paris Agreement and the Sustainable Development Goals. There needs to be a global approach to sustainable finance.

For information visit the website here. Registration as a PensionsEurope member can be done here.