



15 March 2023

[PensionsEurope Newsletter 2023/02](#)

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1. [EIOPA launches a public consultation on the IORP II review](#)

On 3 March 2023, the European Insurance and Occupational Pensions Authority (EIOPA) [launched a public consultation](#) on the review the IORP II Directive. Stakeholders can send their views and comments to EIOPA until Thursday, 25 May 2023. The consultation follows a call for advice (CfA) from the European Commission, which EIOPA is committed to answering by October 1, 2023.

To inform the consultation, EIOPA has sought the opinions of National Competent Authorities (NCAs). The main sections of this consultation paper follow the sequencing of the CfA:

- Governance and prudential standards (chapter 2);
- Cross-border activities and transfers (chapter 3);
- Information to members and beneficiaries and other business conduct requirements (chapter 4);
- Shift from defined benefit to defined contributions (chapter 5);
- Sustainability (chapter 6);

- Diversity and inclusion (chapter 7).

The discussion of the policy options in the various chapters has a common structure:

- Extract from the CfA;
- Relevant legal provisions, previous EIOPA reports and other regulatory background; Identification of the issue;
- Analysis of the options and impact assessment, assessing the costs and benefits for members, IORPs, NCAs and other stakeholders;
- EIOPA's draft advice, where available, in the blue box.

PensionsEurope's WG IORP is currently analysing and discussing the consultation paper. PensionsEurope remains keen to answer the consultation and further engage with EIOPA and other stakeholders on this important dossier.

An IORP WG meeting is envisaged on the 28 March at 9:00am to discuss all the relevant issues and to decide the next steps.

[2. EIOPA publishes updated figures on cross-border IORPs](#)

We are pleased to inform you that EIOPA has recently published the [2022 Report on Cross-Border IORPs](#). According to the report, there were 31 active cross-border IORPs at the end of 2021, which is a decrease of two cross-border IORPs compared to the number reported at the end of 2020. This confirms the previous conclusion that the number of cross-border IORPs has not been increasing since 2010, and EIOPA does not expect the number to grow substantially in the near future.

The report also shows that cross-border IORPs provide services to around 93,000 members and beneficiaries and have approximately EUR 13.0 billion assets under management. These figures show an increase compared to the previous year, largely due to a surge in active members in Belgium and, to a lesser extent, deferred members in Germany. Despite the significant increase, members and beneficiaries of cross-border IORPs still represent only 0.2 percent of the total number of IORP members and beneficiaries. This figure is similar to that published in the previous year's report.

We hope that this report will be useful to you and provide valuable insights into the current state of cross-border IORPs.

[3. EIOPA publishes 2022 Consumer Trends Report](#)

In January 2023, the European Insurance and Occupational Pensions Authority (EIOPA) released the [2022 Consumer Trends Report](#), which provides insights into the insurance and pension sectors. The report covers the latest market developments, trends, and risks that impact consumers and members/beneficiaries.

The chapter of the report focusing on pensions distinguishes between Institutions for Occupational Retirement Provision (IORPs) and Personal Pension Products (PPPs). A statistical annex (Annex VII) offers an in-depth analysis of the IORPs' differences between Member States, including a qualitative examination of their structure and design. Annexes VIII and IX assess the significance of IORPs in terms of both members and assets under management, compared to other providers of Pillar II pensions.

PensionsEurope cooperated with EIOPA Consumer Department supplementing their information sources. Additionally, we engaged in several discussions with them, including a workshop in October 2022 with members of the Working Group on IORPs and PPPs.

[4. EIOPA publishes the 2023 costs and past performance report](#)

In January 2023, the European Insurance and Occupational Pensions Authority (EIOPA) published its [2023 Costs and Past Performance Report](#), providing insights into the returns and costs of insurance and pensions products in 2021.

The report's key findings for IORPs are as follows:

- Total assets of IORPs increased to €2,771.0 billion in 2021 from €2,551.1 billion in 2020.
- Defined contribution pension schemes reached €403.4 billion from €336.9 billion in 2021.
- Although DC AuM represent only around 13% of total IORPs assets, there is an increasing focus on DC pensions.
- Despite the increase in the total amount of assets, the estimated penetration rate of IORPs remains low, indicating that these holdings are low when compared to the country GDP. The Netherlands, whose holdings represent more than 200% of the country's GDP, emerge as an outlier.
- The report also provides figures on the DC assets breakdown by asset classes by Member State and the ratio of total expenses over total assets for DC schemes, by Member State.
- Annex III provides a country analysis of occupational pension systems, covering features such as type of providers, affiliation, contributions, and taxation. Additionally, Annexes IV estimate the importance of IORPs by assessing the reported number of members (Annex IV.I) and AuM (Annex IV.II) under IORPs, and then comparing them with the other applicable EU laws.

As for personal pension products, EIOPA reports that the aggregate returns of personal pension products were strong in 2021, particularly for PPP Unit Linked (UL) products, whose weighted net returns reached almost 16%. To better capture market specificities and the current state of play in each jurisdiction, EIOPA decided to report at the Member State level and include an overview of PPP at the country level. Regarding the costs, EIOPA noted that, similarly to previous years, the cost level is higher for PPP UL, despite both PPP UL and PPP Profit Participation (PP) reporting a decreasing trend.

[5. The OECD publishes the 2022 Pension Markets in Focus](#)

In February 2023, the OECD published [its 2022 Pension Markets in Focus Report](#). This yearly report provides comprehensive and comparable statistics on global retirement savings and this year also delves into the effect of the Russian invasion of Ukraine on the portfolios of OECD pension providers.

The main findings of the report are:

- Total pension assets worldwide surpass USD 60 trillion, with over USD 38 trillion managed by pension funds.
- Pension assets in the OECD area equate to 105% of total GDP.
- The average real investment rate of return in 2021 was 3% in the OECD and -0.9% in 37 other jurisdictions.
- There has been a trend towards investing in equities and other instruments, rather than bonds, in recent years.
- Defined contribution and personal plans are growing faster than defined benefit plans in most reporting countries.
- The funding of defined benefit plans improved in 2021, driven by financial gains and a reduction in the net present value of pension obligations.
- Most countries have placed restrictions on the fees that pension providers can charge members of defined contribution schemes.
- Prior to the conflict, less than 1% of total pension assets in the OECD were invested in Russia.

- The greater impact on the financial performance of pension providers was through non-Russian assets, partially due to stock market declines.
- Indirect impacts include inflation, rising interest rates, and lower GDP growth prospects.

6. [CSDDD](#)

In January, the Board of PensionsEurope approved the final draft of the position paper based on the earlier discussions during the December Board meeting. It was disseminated to the EP JURI committee members.

The new draft aimed to provide our position on the issues we had identified problematic in earlier discussions, which are:

- Scope -Article 2
- Value Chain -Article 3
- Prevention of adverse impacts- Article 7
- Directors' duties and civil liability- Article 22
- Reporting -Article 11
- Plan for transition -Article 15
- Framework for monitoring compliance -Articles 17 to 21

Currently, the file is being negotiated in the JURI committee by the Rapporteurs. We were informed that there is already a set of compromising amendments that we believe deviate from the intentions of the original proposal, and create serious challenges for IORPs. Therefore we sent our positions on the problematic issues to the MEPs who are negotiating the file. Our main remarks were the following:

- We advocated against the proposal which includes a very low balance sheet threshold
- We advocated that pension funds and institutional investors under the status of minority shareholders should not be civilly liable within the context of the CSDDD given their limited level of involvement.
- We expressed our opinion against the shift in the burden of proof to the company, with the introduction of the notion of “prima facie evidence” which would considerably reduce the proof to be made by the claimant. This notion, in conjunction with the numerous facilitations offered to the claimants, might lead to excessive litigation against pension funds, the cost of which is ultimately borne by employees and members and beneficiaries.

Given the current negotiations and the importance of the file, PensionsEurope will continue its advocacy towards the institutions.

7. [EMIR](#)

In December 2022, the EC published the proposal on the EMIR amendments. Based on members' comments, we prepared the first draft of PensionsEurope's position paper on EMIR amendments to establish our positions on the upcoming discussion in the European Parliament and the Council.

Our position paper is focusing on the following issues:

- Adequate supervision
- Liquidity challenges
- The Active EU account
- Reporting to the Authorities

- Changes to the CRD, the UCITS and Investment Company Directive
- Fixed proportions

Our internal deadline to receive feedback is the 21st of March 2023. Based on this feedback we will prepare the second draft to be communicated to the FMR WG.

8. [ESAs' consultation on Guidelines on the system for the exchange of information relevant to fit and proper assessments form](#)

The three European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) published a consultation paper on draft joint Guidelines on the system for the exchange of information when assessing the fitness and propriety requirements.

As mandated by Articles 31a of the ESA's "Founding Regulations" that tasks the "ESAs" to establish a system for the exchange of information relevant to the assessment of the fitness and propriety of directors and key function holders of financial institutions and financial market participants by competent authorities, the ESA's have developed a system which consists of a cross-sectorial database (ESAs Information System) and guidelines on how to use the ESAs Information System as well as on the exchange of relevant data with the aim to foster a timely exchange of information between competent authorities.

The ESAs Information System will hold limited information on persons who are subject to a fitness and propriety assessment under EU sectoral provisions. The competent authorities performing such assessments will include the relevant information consistent with the guidelines in the ESAs Information System.

The aim of the ESAs Information System is to support competent authorities identifying other competent authorities that have conducted such an assessment process for a person of interest. The actual exchange of information that is relevant to the assessment of the fitness and propriety of a person of interest will be made between the relevant competent authorities in line with the applicable regulatory framework outside of the ESAs Information System.

Deadline for the submission of comments to ESAs is the 2 May 2023. We are expecting your comments no later than the 31st of March 2023

9. [PensionsEurope Annual Conference 2023 - "How to protect pensions in the time of turmoil"](#)

The PensionsEurope Annual Conference 2023 will take place **on 20 April 2023 from 9: 00 to 17: 05 CET at the Allianz Forum in Berlin** (Pariser Platz 6, 10117 Berlin, Germany). This conference is hybrid.

The theme of this year's conference is **"How to protect pensions in the time of turmoil"**. The conference will focus on the current macroeconomic situation of Europe, the challenges faced by the pension funds and the solutions that can be envisaged by policymakers and institutional investors to protect people.

Our programme will include some keynote speeches from high level German and EU officials; a discussion on risk management for IORPs, some presentations on the German and Dutch shift from DB to DC schemes followed by a panel discussion, an analysis of the current macroeconomic situation of Europe; a presentation on derivatives and clearing; a presentation on the impacts of the COVID – 19

crisis on mental health and will conclude with a presentation on innovation in plan administration. More information on our programme and speakers are available [here](#).

Last week, we opened registration. We kindly ask all attendees to register formally through the aba website [here](#) as only pre-registered participants can be granted access to the venue. For our online viewers, we will be sending out a confirmation email with the website details and the password to access the stream a couple of days prior to the event.



Rotunda area of the Allianz Forum where our Annual Conference will take place.

[10. EIOPA 2022 IORP climate stress test and the way forward](#)

On 6 March 2023, we provided a joint [position paper](#) with AEIP to EIOPA on the IORP 2022 stress test and the way forward. We have already discussed our main messages with EIOPA, and we will continue the dialogue with EIOPA in the upcoming months.

EIOPA will have a post-mortem exercise to (i) gather feedbacks from participants and National Competent Authorities (NCAs) on the concluded exercise, (ii) identify positive aspects, and (iii) identify areas for improvements. EIOPA will conduct 2 surveys: one web-based questionnaire for participating IORPs and the other one for NCAs. The questionnaires will contain large variety of different kinds of questions related to various aspects of the 2022 IORP stress test.

A closing event of the 2022 IORP stress test exercise for IORPs and NCAs will take place in June 2023. The outcomes of the above-mentioned surveys will be disclosed and discussed with participants and NCAs in the closing event.

The European Commission has sent a [letter](#) to the European Supervisory Authorities (ESAs) calling upon them to work with the ECB and the ESRB, to conduct a one-off climate risk scenario analysis to assess the resilience of the financial system on the way to the EU's targets for 2030. According to the

Commission, the exercise should go beyond the usual climate stress tests and as a cross-sectoral exercise it should also look at contagion and second-round effects, thereby giving a better understanding of the vulnerabilities in the financial system.

The Commission states that the exercise should rely on available data collected by the ESAs/ECB in order to ensure feasibility and to limit the burden for financial institutions related to data needs by using a top-down approach. We have discussed the topic with EIOPA, and they have considered that if the quality of data in EIOPA's IORP database is not sufficient, EIOPA might consider reaching out to the IORP sector.

The Commission would welcome receiving results from the exercise ideally by the end of 2024 and in any case not later than 2025Q1, in order to provide input to the work of the new Commission. According to the Commission, the exercise should therefore be launched as soon as possible and could be based on end-2022 balance sheet data.