

EU Commission: Revision of Rules for Occupational Pension Funds

The revision of rules for occupational pension schemes is one of the most important actions announced on 27 March 2014 by the European Commission as part of their roadmap to meet the long-term financing needs of the European economy.

The proposal has four main objectives: to ensure the soundness of occupational pensions and protect pension scheme members and beneficiaries, to inform scheme members and beneficiaries, to remove obstacles for cross-border provision of services so that occupational pension funds and employers can fully reap the benefits of the single market and to allow occupational pension funds to invest in long-term assets.

The AAE welcomes the direction taken by the Commission to improve the system of governance of IORP's by introducing a risk evaluation for pensions and by improving disclosures to members and beneficiaries. We believe that when these elements are well implemented, executed and supervised it will contribute enormously to the protection of members and beneficiaries. It is first and foremost helping them understand the pension deal and the risks of the deal. Protection of members and beneficiaries does primarily mean more understanding and does not necessarily mean more capital.

We welcome the introduction of the Actuarial Function for pensions. We are happy to see that the Actuarial Function should also contribute to the effective implementation of the risk management system in addition to the activities relating to the technical provisions and underwriting policy. We believe that, in addition to what is proposed by the Commission, the actuarial profession can also play a key role in those cases where members and beneficiaries do bear all the risks, like in individual and collective Defined Contribution systems. The more risk there is, the more important it is to identify, quantify and communicate those risks to all relevant stakeholders. We noticed that the Commission is looking empowerment to adopt a delegated act for the risk evaluation of pensions.



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We are happy to offer our technical actuarial expertise to the Commission in the development of the specifications of the risk evaluation.

With regard to removing obstacles for cross-border provision of services we notice that the requirement to be fully funded at all times in case of cross-border activity is unchanged and the same as in the current Directive. This requirement could be an obstacle for the set-up of cross-border IORP's especially in the current circumstances of the financial crisis that has resulted in historical low funding ratios for IORP's. While it is allowed to be - for a limited period - underfunded for IORP's when having a sound recovery plan in place, we wouldn't see a principle difference for IORP's with cross-border activity.

We think it is wise of the Commissioner not to propose quantitative measures at this moment in time. There are too many issues on the table that need to be furthered first. We intend to and are more than happy to continue to offer our actuarial expertise in working with the specialists of EIOPA and the local supervisors in the Members States to address the open issues. Given the nature of a pension deal, that is generally part of a social contract, it is not for the Commission to require higher capital requirements. The role we see for the Commission is ensuring that the pension deal is communicated clearly and that party's keep up to what is promised, even if the promise itself is not a hard guarantee.

We support the proposed enhanced possibilities for long-term investments. Needless to say that these should be taken into account in assessing the risks of the pension plan. In terms of governance we would welcome that guidance is solicited of the members en beneficiaries. In the end it is their pension that is saved for and it would be only fair if they would be given the chance to voice their preferences on which basis the management body of the IORP is able to take informed decisions knowing these preferences.