Supervisory reporting requirements for pension funds which are fit for purpose

PENSIONS EUROPE

1. Relevant and comparable information about pensions in Europe is needed

- Information about pension funds is relevant to e.g. members and beneficiaries. It can also be relevant to sponsors, supervisors, policymakers, and a wider audience.

2. Pension funds are covered by various reporting requirements on national and EU level

- There is a variety of national reporting requirements in all EU Member States where employment-related pension provision applies. In addition, pension funds may be subject to reporting requirements of local tax authorities as well as National Competent Authorities (NCAs) responsible for prudential supervision.
- Ongoing reporting requirements of EIOPA.
- Reporting requirements under various EU legislation, such as: European Market Infrastructure Regulation (EMIR), Market in Financial Instruments Directive (MiFID II) and Regulation (MiFIR), and Securities Financing Transactions Regulation (SFTR). The requirements for transaction-level reporting stemming from EMIR and SFTR show considerable differences in terms of reporting details, reporting channels, data repositories and applicable IT standards.
- EIOPA stress tests for IORPs (Institutions for Occupational Retirement Provision) every two years. Since 2015, EIOPA IORP stress tests have contained a big reporting burden to many pension funds. These biennial stress tests should not become too burdensome and complicated, and they should be based on appropriate stress testing methodology.
- The burden and costs to pension funds will increase with the new pension data reporting requirements by EIOPA and the ECB scheduled to start after Q3 in 2019.

3. We support aligning reporting standards for pension funds

- In general, we welcome that the ECB, EIOPA, Eurostat, and the OECD aim to align their reporting standards for pension funds, and in order to achieve synergies we encourage them to align all the reporting standards together with NCAs and National Supervisory Authorities (NSAs) as much as possible.
- Local reporting standards vary considerably in most cases from the supranational standards. The former are embedded in national law and they may not be overridden. It should not be the final result to produce a variety of different reporting requirements on the same individual aspect. The required detailed analysis of various items generally uses different definitions, classifications and grouping. This would create additional work and thus costs.
- We support a principle of allowing flexibility for the NSAs/NCAs to collect/collate data.
- Considering the amount of information already available, the NSAs/NCAs should play a central role in collecting information. The burden the data requirements set on pension funds can be minimized by assessing the information the NSAs/NCAs already have, and together with EIOPA they can also decrease the pension funds' burden by processing information from the supervisory data themselves.

4. Pension funds should not be required to use XBRL formats for reporting

- We welcome that pension funds by themselves are not required to use the XBRL formats when reporting to the NCAs, but the NCAs are free to choose their required reporting formats. We stress that the NCAs and the National Central Banks (NCBs) should be flexible with the format they require pension funds to use for reporting.
- Any proposal to require pension funds to use the XBRL format of the templates would constitute a big (financial) burden for pension funds in many countries. National rules do not require the use of the XBRL format and new reporting requirements at EU level should not impose this at the national level.
- The reporting templates and their taxonomy should be stable, and they should not be subject to frequent change.

5. **Requirements need to be reviewed**

- While aiming for stability, it is also important to carry out post-implementation reviews of new requirements in order to keep them 'fit for purpose'.
- It is right to assess on an on-going basis whether there is room to make reporting requirements and tools more efficient, whether all information requested is necessary and whether potentially overlapping requirements can be streamlined.

- In that respect, PensionsEurope supports the European Commission (EC) fitness check on supervisory reporting. It is important that fitness checks on supervisory reporting are regularly conducted to ensure that (i) the benefits of requirements outweigh the associated costs, (ii) supervisory authorities work effectively and efficiently and the supervision is good quality, and (iii) that supervisors' activities remain proportionate in their scope.

"The new EC should have a more horizontal approach when drafting new financial market legislation."

- Based on the outcome of the fitness check, we expect concrete actions from the new EC after the European Parliament elections in the summer of 2019. Furthermore, the new EC should have a more horizontal approach when drafting new financial market legislation by first exploring its consistency with various current legislation and their wider costs/impact on industries.

6. **Costly reporting requirements lead to lower retirement outcomes for EU citizens**

- All costs – including those to meet supervisory requirements - will ultimately be paid by pension fund members and/or any associated plan sponsor (the members' employer). In most EU Member States employer contributions to occupational pensions are voluntary. Increasing regulation and other requirements make occupational pensions more expensive, making it less attractive to set up new pension schemes and hence potentially limits the amount of contributions paid (and thus the savings for adequate pensions throughout Europe).
- Collecting data and supervisory reporting always entail costs to pension funds (such as costs of implementation, IT costs, and personnel costs), so it should be considered very carefully which information is relevant and needed, and how often it should be reported. In principle, supervisors should aim to digitise reporting to enable 'business as usual' reporting to be as frictionless as possible; however, regard must be had to the initial system's investment and whether this is proportionate. Initial set-up costs of special reporting systems are usually very high and should be minimized. In this respect the addressees of the different reporting packages should cooperate very closely with the institutions and take over most of their burden themselves.

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- A part of supervisory reporting is to help identify systemic risks. Whilst there are many thousands of pension funds across the EU, most are very small – both in terms of numbers of members and assets under management. Thus, it is important that supervisory reporting requirements are proportionate.
- Calculating the extra costs of supervisory reporting is not always simple, as for instance the hours spent on collating/putting in the data concerning assets under management is an action to be performed regardless of the supervisory reporting requirements as this is necessary data for those managing the fund. However, the reporting requirements for supervisors may differ from those required by the pension fund managers and this will impact the length and complexity of these actions. In The Netherlands, the DNB has made an effort in its recent proportionality report to also include the indirect supervisory costs.
- In some Member States (such as The Netherlands), pension funds already account for a big part of the total national supervisory costs for all financial institutions.

7. New IT solutions are useful

- We invite the EC and the European Supervisory Authorities (ESAs) to explore new IT solutions, for example in the field of distributed ledger technology e.g. by storing all related individual transactions in groups, or blocks, which are attached to each other in chronological order to create a single data chain.

8. Pension funds are embedded in national social and labour law and NSAs are responsible for supervising pension funds

- Pension funds are, first and foremost, social institutions active on the financial markets. Therefore, they cannot be compared directly to financial institutions such as banks and insurers. This is recognised by the European Parliament and Council and codified in the IORP II Directive which clearly states that "IORPs are pension institutions with a social purpose that provide financial services." Importantly, "such institutions should not be treated as purely financial service providers. Their social function and the triangular relationship between the employee, the employer and the IORP should always be adequately acknowledged and supported as guiding principles."

- Occupational pensions are also built on the foundation of first pillar pensions (state pension systems), which vary significantly from Member State to Member State. Moreover, in some Member States occupational pensions are closely integrated with first pillar provision. Therefore, occupational pension design, in conjunction with a widely varying first pillar provision, aims to achieve adequate pensions overall, where the definition of adequacy is highly dependent on the social policies of a Member State (housing, healthcare, social welfare). National prudential legislation and supervision take these national elements into account. The nature of pension systems across Europe is necessarily heterogeneous. This consequently limits the degree to which supervisory convergence between the systems for banks, insurers and pension funds is possible or desirable. We recognise that such convergence for banks and insurers is far more appropriate. A one-size-fits-all approach to applying European legislation and supervisory requirements to pension funds would be detrimental as it would not consider the heterogeneity and complexity of the different combined first and second pillar systems.

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- The NSAs/NCAs are best placed to determine which data and supervisory reporting was necessary and appropriate. They are also best placed to determine (i) when and how data is reported and (ii) what the most proportionate approach for their range of pension funds is. When developing new initiatives, EIOPA should consider the specificities of the pension systems in different Member States.
- The NSAs/NCAs should be able to report aggregate data to any central supranational regulatory entity.

About PensionsEurope

PensionsEurope represents national associations of pension funds and similar institutions for workplace and other funded pensions. Some members operate purely individual pension schemes. PensionsEurope has **24 member associations** in 18 EU Member States and 3 other European countries.

PensionsEurope member organisations cover different types of workplace pensions for over **110 million people**. Through its Member Associations PensionsEurope represents more than **€ 4 trillion of assets** managed for future pension payments. In addition, many members of PensionsEurope also cover personal pensions, which are connected with an employment relation.

PensionsEurope also **has 29 Corporate and Supporter Members** which are various service providers and stakeholders that work with IORPs.

PensionsEurope has established a **Central & Eastern European Countries Forum (CEEC Forum)** to discuss issues common to pension systems in that region.

PensionsEurope has established a **Multinational Advisory Group (MAG)** which delivers advice on pension issues to PensionsEurope. It provides a collective voice and information sharing for the expertise and opinions of multinationals.

Our members offer

- Economies of scale in governance, administration and asset management;
- Risk pooling and often intergenerational risk-sharing;
- Often "not-for-profit" and some/all of the costs are borne by the employer;
- Members of workplace pension schemes often benefit from a contribution paid by the employer;
- Wide-scale coverage due to mandatory participation, sector-wide participation based on collective agreements and soft-compulsion elements such as auto-enrolment;
- Good governance and alignment of interest due to participation of the main stakeholders.

What PensionsEurope stands for

- A regulatory environment encouraging workplace pension membership;
- Ensure that more and more Europeans can benefit from an adequate income in retirement;
- Policies which will enable sufficient contributions and good returns;

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