

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

2014/0091(COD) - 27/03/2014 - Legislative proposal

PURPOSE: to facilitate the development of occupational retirement savings.

PROPOSED ACT: Directive of the European Parliament and the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: European society is ageing. Pension systems across the European Union (EU) have to adapt in order to ensure adequate, safe and sustainable pensions.

The **institutions for occupational retirement provision (IORPs) sector** is being developed in many Member States where occupational pensions so far play a limited role, including by setting up regulatory frameworks. Failing to provide an up-to-date EU regulatory framework now entails the risk that Member States continue to develop diverging solutions, thereby exacerbating regulatory fragmentation. Furthermore, improvements to the performance of occupational pensions require long periods of time to materialise.

According to the Commission, a **revision of Directive 2003/41/EC** on the activities and supervision of institutions for occupational retirement provision is necessary for the following reasons:

- (1) **protect members and beneficiaries**, and facilitate safe cross-border provisioning through higher governance standards reflecting best practices at national level following the economic and financial crisis;
- (2) **reduce the obstacles** to develop cross border occupational pensions markets, which would help companies, including SMEs and multinationals, to organise their pension provision on a European scale more efficiently;
- (3) there is evidence of **significant gaps in the level of information** provided to scheme members and beneficiaries across the EU.

This proposal builds on a number of initiatives launched in recent years such as the [White Paper](#) on pensions and the [Green Paper](#) on long-term financing of the European economy.

IMPACT ASSESSMENT: this proposal is accompanied by an impact assessment report that considers a range of policy options and sub-options. The report was first submitted to the Impact Assessment Board on 4 September 2013. The Board asked for resubmission with additional information on the views of the different stakeholder groups, problem definition, subsidiarity and proportionality aspects, options and expected impacts.

The impact assessment was resubmitted on 16 October 2013. On 6 November the Board stated it could not issue a positive opinion and requested some further amendments.

CONTENT: this proposal to recast Directive 2003/41/EC has four specific objectives:

1. Removing remaining prudential barriers for cross-border IORPs, notably by:

- requiring that the rules on investment and disclosure of information to members and beneficiaries are those of the home Member State,
- clarifying procedures for cross-border activities,
- clearly defining the scope of action of home and host Member State.

2. Ensuring good governance and risk management: the proposal: (i) establishes that institutions need to have in place an effective system of governance which provides for sound and prudent management of their activities; (ii) sets out that institutions must have a sound remuneration policy; (iii) provides for an effective internal audit function which evaluates the adequacy and effectiveness of the internal control system; (iv) sets out that IORPs need to appoint a single depositary for safekeeping of assets and oversight duties if members and beneficiaries fully bear the investment risk.

3. Providing clear and relevant information to members and beneficiaries: the proposal places an obligation on IORPs to provide, every twelve months, a pension benefit statement ('PBS') for the individual in the clearest possible way, also as a basis to feed information into a potential pension tracking service.

4. Ensuring that supervisors have the necessary tools to effectively supervise IORPs: the proposal lays down that the competent authority of the home Member State has the sole responsibility for the prudential supervision of all IORPs authorised or registered in its jurisdiction. It establishes the principle that supervision of IORPs needs to be prospective and risk-based, as well as timely and proportionate. In addition, the proposal introduces the supervisory review process which aims to identify IORPs with financial, organisational or other features susceptible to producing a higher risk profile.

BUDGETARY IMPLICATIONS: the budgetary implications relate to tasks allocated to European Insurance and Occupational Pensions Authority (EIOPA).

No new resources will be needed. Operation appropriations which are necessary for the implementation of this initiative will be covered by redeployment within the contribution granted to EIOPA during the annual budgetary procedure, in accordance with the financial programming set by the [Communication from the Commission](#) "Programming of human and financial resources for decentralised agencies 2014-2020". The estimated impact on expenditure is **EUR 2.035 million** for the period 2015-2020.