

Institutions for occupational retirement, pension funds: laws, regulations and administrative provisions

2000/0260(COD) - 03/06/2003 - Final act

PURPOSE : to establish rules for the taking up and pursuit of activities carried out by institutions for occupational retirement provision. **LEGISLATIVE ACT :** Directive 2003/41/EC of the European Parliament and of the Council on the activities and supervision of institutions for occupational retirement provision. **CONTENT :** This Directive represents a first step on the way to an internal market for occupational retirement provision organised on a European scale. It sets the "prudent person" rule as the underlying principle for capital investment and makes it possible for institutions to operate across borders. In addition, the redirection of savings into the sector of occupational retirement provision is encouraged, thus contributing to economic and social progress. The prudential rules laid down in this Directive are intended both to guarantee a high degree of security for future pensioners through the imposition of stringent supervisory standards, and to clear the way for the efficient management of occupational pension schemes. The Directive contains: - strict prudential rules to protect beneficiaries. Institutions for occupational retirement provision (IORPs) must be subject to detailed rules of operation. Members and beneficiaries must be properly informed of the terms of the scheme, the financial situation of the institution and their rights. Benefits promised must be calculated prudently and be covered by sufficient assets. If an IORP offers any financial guarantees, it must hold own funds. Lastly, the supervisory authorities must have the necessary powers to monitor adequately the IORPs for which they are responsible; - investment rules tailored to the characteristics of IORPs and geared towards effective savings management. IORPs invest on a very-long term basis and can predict with relative ease the amount of benefits they will have to pay out. They should, therefore, be allowed a certain amount of freedom in determining the investment policy which best suits their commitments. They should, in any event, ensure that their assets are fairly widely spread. Member States may, if necessary, lay down more detailed rules for supervision of the institutions within their territory. However, such rules should not interfere excessively with the international diversification of investment portfolios and investments in shares, which generally offer high long-term returns and satisfactory security. The Directive sets out certain minimum investment rules; - rules enabling cross-border (and, consequently, more efficient) management of occupational pension schemes. At present, it is impossible for an IORP to manage a pension scheme for a company located in another Member State. A firm which has offices in the fifteen Member States must set up fifteen different schemes. Substantial economies of scale could be achieved if one institution managed all the schemes, while respecting local social and labour law requirements. This would necessitate mutual recognition of supervisory regimes, which is one of the key objectives of the Directive. It also provides for a cooperation procedure between supervisory authorities. In addition, the following should be noted: - appropriate cover for biometrical risks in occupational pension arrangements is an important aspect of the fight against poverty and insecurity among elderly people. When setting up a pension scheme, employers and employees, or their respective representatives, must consider the possibility of the pension scheme including provisions for the coverage of the longevity risk and occupational disability risks as well as provision for surviving dependants. - Member States may exclude from the scope schemes which together have less than 100 members in total. **ENTRY INTO FORCE :** 23/09/03. **DATE OF TRANSPOSITION :** 23/09/05.