PENSIONS EUROPE

PensionsEurope answer to EIOPA consultation on the taxonomy (in the 2.3.0 PWD1 and PWD2) of new pension data reporting requirements

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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 **23 member associations** in 18 EU Member States and 3 other European countries[1].

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 **30 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.

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;

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.

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[1] EU Member States: Austria, Belgium, Bulgaria, Croatia, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Luxembourg, Netherlands, Portugal, Romania, Spain, Sweden, UK. Non-EU Member States: Iceland, Norway, Switzerland.

1. Introduction

PensionsEurope shares the aim of EIOPA and the ECB to have better, comparable and relevant information on occupational pensions in Europe. We understand that EIOPA needs information with respect to potential macro prudential risks[2] and the assessment of market developments[3] to comply with those two goals of EIOPA within its scope of competences. The collection of statistical information on pension funds is also needed to satisfy regular and ad hoc analytical needs to support the ECB in carrying out monetary and financial analysis, and for the ESCB's contribution to the stability of the financial system. However, PensionsEurope does not see the benefits of requiring the NCBs/the NCAs/pension funds to report quarterly in such a detailed way in XBRL format. The possible requirement to use XBRL format of the templates contains a big (financial) burden for pension funds in many countries. This technical standard is not required by the IORP II Directive or current national regulatory reporting requirements, and it would be thus only a big "side effect" or "accessory part" of EIOPA's reporting request.

Notwithstanding this general support for the taxonomy of new pension data reporting requirements PensionsEurope would like to suggest several amendments to better accommodate the needs of pensions funds. They particularly refer to the time frame, the binding nature of the XBRL format and the costs related to its introduction including licence and implementation costs.

We would like to thank the ECB and EIOPA for a constructive dialogue on preparing their new pension data reporting requirements. Our comments below supplement our answer to the public consultation on EIOPA's regular information requests towards the National Competent Authorities (NCAs) regarding provision of occupational pensions information (October 2017)[4] and our answer to the public consultation on the draft ECB regulation on statistical reporting requirements for pension funds (September 2017)[5]. We are happy to answer questions, provide more information, and give more clarification from our side (if needed) in our next workshop (on pension data) with the ECB, EIOPA, National Central Banks (NCBs), the NCAs, and Eurostat/OECD in Frankfurt on 10 October 2018.

[2] Stability of the financial system or markets (Article 18 of EIOPA Regulation).
[3] Article 32 of the EIOPA Regulation.
[4] See PensionsEurope answer to the public consultation on EIOPA's regular information requests towards NCAs regarding provision of occupational pensions information (October 2017).
[5] See PensionsEurope answer to the public consultation on the draft ECB regulation on statistical reporting requirements for pension funds (September 2017).

2. We support 'one-stop-shop'-concept

In general, we welcome that the ECB, EIOPA, Eurostat, and OECD are aligning their reporting standards for pension funds. We encourage them to align all the reporting standards together with the NCAs as much as possible.

We support a principle to leave flexibility to the NCAs in collecting data and providing it to EIOPA and the ECB. A starting point should remain the so-called 'one-stop-shop'-concept, and considering the amount of information already available, the NCAs should play a central role therein. The burden the data requirements set on pension funds can be minimised by assessing the information that the NCAs already have. The coordination between the EU level reporting requirements and the data already collected by the NCAs is key to reduce compliance costs for pension funds.

It is important that the EU institutions and other bodies have proper impact assessments before proposing any new requirements or other burdens to pension funds. They need to prove that new requirements are needed, fit for purpose, and that requiring pension funds to provide more data is of added value.

3. The first reporting should be postponed

Pension funds need clarity and information as soon as possible as to which pension funds exactly are covered by the new EIOPA/ECB reporting requirements. We welcome that the first reporting of quarterly data on assets has been postponed until mid-December 2019 (quarterly data on assets for the third quarter of 2019), but we know that in many countries pension funds would need more time to adapt their reporting systems to the new requirements in order that their implementation costs will not become enormously high, and therefore we propose to postpone the first reporting at least by one year.

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

EIOPA draft taxonomy provides the NCBs and the NCAs with the technical format to collect individual data from pension funds and it provides the NCAs with the technical format to submit individual and aggregated data to EIOPA in XBRL technology. 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 the reporting formats. We stress that the NCAs and the NCBs should be flexible with the format they require pension funds to use for reporting.

The possible requirement to use XBRL format of the templates contains a big (financial) burden for pension funds in many countries. National rules do not require the use of XBRL format and new reporting requirements at EU level should not lead to requiring this at national level.

We strongly suggest not requiring pension funds to deliver data according to the XBRL format to the NCAs/NCBs. Also, under the Solvency II regime, XBRL is only “the mandatory technical format to be used for reporting from NCAs to EIOPA (so-called 'second level reporting')”.

To ensure the consistent creation of XBRL reports, data preparation processes must run beforehand, and aggregations and validations must be carried out. This requires not only new software solutions, but a completely different know-how of employees.

The implementation and maintenance of the taxonomy, including tests and data collection, involves considerable effort and resources. The pure conversion to XBRL is only the last step. Even without considering the conversion to XBRL, creating and filling Excel sheets in the sense of the current EIOPA taxonomy is a big effort. This makes the implementation of the EIOPA requirements so expensive.

The current national standards for data delivery of pension funds should be sufficient and in case – if at all - the NCAs/NCBs should be in charge to transform the data to the XBRL format.

In any case, we propose much longer implementation (at least one year longer) period to allow pension funds and their service providers to prepare for the XBRL format of the templates. In those countries (such as Germany) where insurance companies have to deliver the data in the XBRL format to the NCA, the insurance sector has been given much more time to prepare to the XBRL standard (that was only required by the fully harmonized regulatory regime of Solvency II).

5. **Pension funds should not be required to buy expensive licenses to provide information**

Neither the ECB nor EIOPA should require pension funds to provide granular information about all their investments in vehicles like hedge funds, pooled funds, unit trusts or UCITS, if the ECB already has that information from other non-monetary financial corporations. Pensions funds do not necessarily have a means of getting the information that they are expected to provide to EIOPA. The investment manager may be under no obligation to provide that level of granular information.

We would like to also stress that pension funds should not be required to (i) pay (for instance) for rating information in order to provide that information to EIOPA, or (ii) buy expensive licenses in order to have securities information that is already available in the Centralised Securities Database (CSDB).

6. **National Central Banks should derive quarterly estimates for liabilities by themselves**

Pension funds as long-term investors do not continuously adjust their asset allocations, and thus annual reporting by pension funds could be enough. In any case, we welcome that the new requirements do not contain quarterly reporting of liabilities by pension funds (except regarding the Netherlands where pension funds currently derive estimations by themselves), as the NCBs shall derive quarterly estimates for liabilities of pension funds based on data provided on an annual basis. It is important that the NCBs derive quarterly estimates for liabilities by themselves and not to cause extra work and costs to pension funds.

We welcome that the ECB has acknowledged the challenges to derive quarterly estimates for liabilities, and it aims to give flexibility to the NCBs how they should do them. In our upcoming workshop on 10 October 2018, we are willing and happy to provide our expertise of what kind of options the ECB could/should give to the NCBs, so that the estimations would be comparable between countries.

7. General remarks

Reporting and collecting information always costs

We would like to stress that statistical reporting and collecting information always contain costs for pension funds, so it should be very carefully considered which information is relevant and needed, and how often they should be reported. Any extra costs will be finally paid by the sponsor and/or members and beneficiaries. It should be kept in mind that contributions to occupational pensions in some EU Member States are voluntary for employers. Increasing regulation and other requirements make occupational pensions more expensive, making it less likely that pension schemes are being set up and contributions paid.

Due to the national reporting requirements, which differ significantly from EIOPA and ECB requirements, there are - at least in some countries - no synergy effects in the preparation of national supervisory reports and reporting for EIOPA and ECB. These are additional reports without any chance of simplification or elimination for reporting requirements that already must be fulfilled nationally. The reporting for EIOPA and ECB is therefore an additional cost factor (in the low-interest environment) to the detriment of the beneficiaries and sponsoring companies.

Supervisory reporting requirements need to be regularly fitness checked

Reporting entails costs that ultimately weigh on the returns of pension funds and therefore reduce pensions. While supervisors need information to be able to supervise pension funds, 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 fitness check on supervisory reporting[6]. It is important that fitness checks on supervisory reporting are regularly conducted e.g. to ensure that (i) the benefits of requirements outweigh the associated costs, (ii) supervisory authorities work effectively and efficiently, and (iii) that supervisors' activities remain proportionate in their scope.

[6] See PensionsEurope answer to the European Commission public consultation on fitness check on supervisory reporting (March 2018).