



PensionsEurope input to EIOPA on the review of IORPs reporting requirements

July 2022

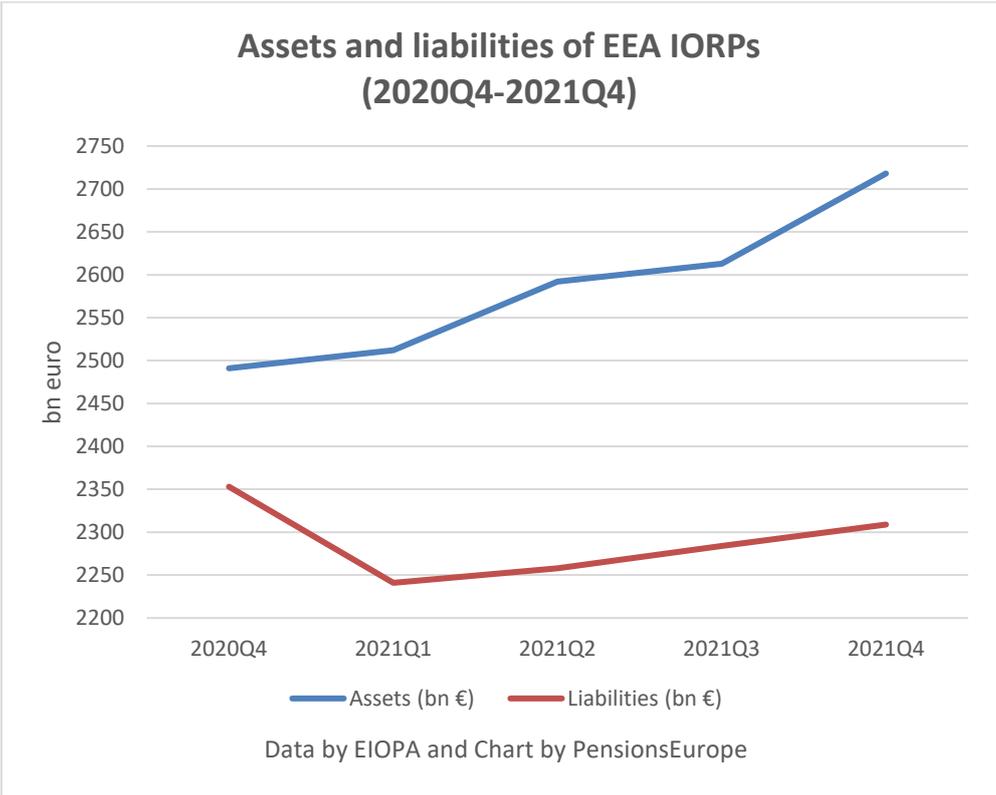
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1. PensionsEurope input to EIOPA consultation on the revised Decision on EIOPA's regular information request towards NCAs regarding the provision of occupational pensions information

General remarks

As the European umbrella organisation representing pensions in Europe, PensionsEurope (or “we” hereafter) appreciate reliable and good quality pension statistics and find them important to IORPs, policymakers, and supervisors.

Based on the new reporting requirements for IORPs, EIOPA has so far published 5 quarterly statistics from 2020Q4 to 2021Q4 (and annual statistics from 2020), which show that EEA IORPs are increasingly well funded on an aggregate level. During 2020Q4-2021Q4, the assets of the EEA IORPs increased by 9% (€227 bn) while their liabilities decreased by 1,9% (€44 bn). According to the latest EIOPA statistics (2021Q4), the assets of EEA IORPs €2718 bn far exceed their liabilities of €2309 bn, funding level being 118%.



While aiming for stable reporting templates and a stable taxonomy, PensionsEurope has stressed that it is also important to carry out post-implementation reviews of new requirements 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 streamlined¹. However, the development of new requirements should never occur at too rapacious level and should be based on careful consideration of what the supervisory needs are, and not on what EIOPA deems either “good to have” data or where alignment is argued to be motivated solely on the basis that similar data is required by insurers who are regulated by Solvency II, which is a very different set of regulations. An increasing transfer of the Solvency II reporting requirements to IORPs was never politically envisaged by the EU legislator and should therefore not be done by EIOPA.

In general, we find that EIOPA review of IORPs reporting requirements comes very/too early. We would have expected that EIOPA would have published at least some analysis of the very comprehensive data that it has received from IORPs, and we are concerned about the lack of public analysis for various reasons. The new reporting requirements have significantly increased the administrative burden and costs to IORPs, and it is in the public interest of all stakeholders that EIOPA requires IORPs only to report the data that it needs and is able to analyse. In that vein, it would be useful for EIOPA to state in detail the purposes behind gathering each element of data. We would like to see an awareness among regulators that reporting requirements on IORPs incur costs – in addition to direct costs, also indirect costs for NACE and rating agencies, among others – which lead to lower pensions for beneficiaries.

During PensionsEurope 2022 Conference (of 9 June 2022), Chair of EIOPA Petra Hielkema responded that giving “insights” from the collected data to the sector is an EIOPA ambition. The quality of the data and the representativeness/fairness could be improved, she indicated. Although we see the potential relevance of more and better information, we would suggest taking a step-by-step approach and only adding new layers when previous layers have been considered, analysed, and published. This also pre-supposes that additional layers will confer additional benefit. We believe it is incumbent on the regulator to demonstrate what that additional benefit is expected to be, before calling for more information. Furthermore, in its analysis of pensions data, EIOPA should explore various other pension data sources, particularly the statistics held at the national level, new ECB pension funds statistics, OECD pension statistics, and the Centralised Securities Database (CSDB).

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 in which employment-related pension provision applies. In addition, pension funds may be subject to reporting requirements of local tax authorities as well as NCAs responsible for prudential supervision.

Reporting requirements under various EU legislation e.g. include European Market Infrastructure Regulation (EMIR), Markets 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. Since 2015, also EIOPA IORP stress tests have involved a significant reporting burden on many pension funds - particularly because EIOPA has

¹ See [PensionsEurope comments to the EC on the fitness check on supervisory reporting requirements for pension funds](#) (December 2018).

required participating IORPs to use very different methodologies compared with what they use in their ongoing management and steering mechanisms.

Furthermore, the EU is developing an integrated sustainability reporting system through the SFDR and CSRD, linked together with the ESAP. Starting from January 2023 IORPs will have to comply with the new burdensome and complex requirements on disclosure on many different ESG issues (such as their policies on ESG risks, the environmental and social characteristics of the pension scheme, Taxonomy exposure and Principal Adverse Impact indicators) stemming from the delegated regulation of the SFDR and Taxonomy. We strongly question any further need for ESG data to be integrated in this reporting regime during the upcoming reviews, rather than developing a parallel reporting regime through statistical reporting.

On 15 December 2021, the Commission adopted a strategy on supervisory data in EU financial services which builds upon the conclusions of the fitness check of EU supervisory reporting requirements about which we have had an engaged and positive dialogue with the Commission over the past years (see also our input of June 2021² to the EC Roadmap on supervisory data strategy). One of the objectives of the strategy is to minimise the aggregate reporting burden for all relevant parties, and we consider it important to keep this objective in mind also in this EIOPA review.

Regarding the proposed amendments to IORPs current reporting requirements to EIOPA, in general we believe that they do not reflect the minimum-harmonization character of the IORP II Directive. Rather than extending the EIOPA reporting package, it would be more appropriate if NCAs decided on the possible need for additional data to improve supervision of the risks faced by IORPs. If the EIOPA Board of Supervisors finally decides to introduce some new reporting requirements for IORPs, it is essential that any double reporting is avoided, and only information needed to supervise IORPs or the IORP sector should be required. We assert that this is regardless of what information insurance companies are required to provide. Despite some similarities, insurance companies and pension funds are not the same and consequently identical reporting requirements are inappropriate.

Particularly, we are concerned about the extra burden and costs of new requirements, which impact all IORPs, but which particularly will be burdensome on small and medium sized IORPs. Such entities do not represent the same systemic risks that (even the smallest) insurers do. We recommend that proportionate measures are introduced to reduce the reporting, including the thresholds for IORPs required to report individually, which should be updated and increased to, at least, €1,5 bn. In addition, the thresholds for the smallest should be increased, at least at total assets of EUR 35 million.

The NCAs and EIOPA should have more/enough time to gather experience from the current reporting requirements. As mentioned before, it is also beholden on EIOPA to demonstrate the need and benefit of any additional data gathering in advance of proposing to request it. In particular, the planned extensions around ESG, which content does not seem to be thoroughly considered, would cause unnecessary costs.

² See [PensionsEurope input to the European Commission Roadmap on supervisory data strategy](#) (June 2021).

Answers to specific questions

Timeline and Costs (Q1-Q2)

Q1. What are your views regarding the proposed implementation timeline?

Currently the Council and the European Parliament are discussing the review of the Solvency II Directive, including possible changes to article 35. It is envisaged that EIOPA should report on potential measures to develop an integrated data collection process to reduce areas of duplications and inconsistencies between the reporting frameworks in the insurance sector and other sectors of the financial industry and to improve data standardisation and efficient sharing and use of data already reported within any Union reporting framework by any relevant competent authority, both Union and national.

On the above-mentioned report, EIOPA should prioritise, but not limit itself, to information concerning the areas of collective investment undertakings and derivatives reporting. Such measures to develop integrated data and to reduce duplications for insurers should also similarly affect IORPs, given the high degree of alignment between the two sectors' harmonised reporting already developed by EIOPA. As both data on collective investment undertakings and derivatives are relevant in the current consultation, EIOPA should refrain from introducing amendments on such data until the report and measures are finalised. Otherwise, we see that there is a risk of several material reporting changes occurring within a relatively short period of time, which will add unnecessary and therefore undue costs to the IORPs.

In the final provisions of the EIOPA consultation document 'Decision of the Board of Supervisors on EIOPA's regular information requests towards NCAs regarding provision of occupational pensions information', it is stated that 'The amendments to this Decision shall enter into force on the day following its adoption and be applicable regarding the reporting dates from 31 December 2024.', so at least the reference in Par. 1.7. should be adjusted accordingly. While we advocate that the most substantial areas pointed out above (collective investment undertakings and derivatives reporting) should not be introduced now but instead be pushed forward and re-assessed again at a later stage, we would suggest that other minor amendments proposed could become applicable from 30th April 2025, a date which would be helpful to IORPs implementation of the reporting in practice. A high degree of alignment is also expected with NCAs to ensure that the reporting needs and timeline is the most optimal to coordinate with current national reporting requirements and with any other (reporting) changes that the IORPs may face soon. Lastly, we would urge EIOPA also continue to closely align adjusting the reporting standards, definitions, and templates etc. with the ECB reporting requirements for pension funds. That would reduce the burden and costs to IORPs as well as for supervisors and NCAs.

Particularly for small IORPs we see that some of the new requirements would be major changes and require (expensive) IT implementation. For instance, all IORPs required to provide quarterly data (list of assets) would have to provide the NACE codes on a quarterly basis. Currently this data has only been required every two/three year in the context of the EIOPA IORP stress test exercise and, importantly,

in relation to a limited number of IORPs. Often this requires manual work, as data based on NACE codes is not standard information provided by asset managers. The data required on derivatives would also require major IT implementations even for small IORPs that only make limited use of derivatives. Finally, many small IORPs update cash flow information only on a triennial basis when conducting an ALM, and we question if there is a need for them or for supervision purposes to update this information more frequently.

Q2. What are your views on the general costs regarding implementation? How could the relevant amendments be addressed in a most cost effective way?

We deem the general costs regarding implementation to be high for most of the proposed changes, in particular changes pertaining to look through information for collective investment undertakings and the position-by-position reporting of derivatives.

Especially, indirect reporting costs should be avoided, and EIOPA should take into account that providing of new additional information by IORPs is often not free of charge, particularly when external data providers are involved.

EIOPA should not request the same information from IORPs on different occasions. One example would be: in EIOPA's regular information request discussed here and in EIOPA's stress test carried out this year a lot of information requested is identical especially (but not only) in the market value balance sheet. This could lower the burden for IORPs.

The most effective way to implement any new reporting requirements to IORPs would be the alignment of inputs, definitions, and reporting items at the national and EU level as much as possible. The alignment with the ECB requirements and alignment and consistency with OECD definitions, which are commonly used in the pension sector, are of utmost importance as well. The assessment should at the same time bear in mind that the objective with said requirements should be to meet above all the IORP Directive requirements and to not introduce taxing or otherwise untoward additional requirements for IORPs, that go far and beyond this.

Unfortunately, over the past years EIOPA has not always been consistent with the classification and taxonomy of pension schemes which EIOPA has used, for instance, in the context of its IORP stress tests³ and opinions on the implementation of the IORP II Directive. Therefore, by way of an example, in our answer (July 2021)⁴ to the 'consultation on the draft opinion on the supervision of long-term risk assessment by IORPs providing DC schemes', we stressed to EIOPA that they should continue using the current internationally recognised definitions. We also have found it important that the definition of what constitutes DC and DB should not be determined by EIOPA opinions, and that changing the definition should under no circumstances lead to a situation where some IORPs are considered both DB and DC (and subsequently must comply with both sets of regulation).

³ See [the joint stakeholder feedback by PensionsEurope & AEIP to EIOPA Discussion Paper on a Methodological Framework for Stress-Testing IORPs](#) (June 2021).

⁴ See [PensionsEurope answers to EIOPA consultation on the draft opinion on the supervision of long-term risk assessment by IORPs providing DC schemes](#) (July 2021).

Particularly for small and medium sized IORPs, the implementation costs would be high, especially if they must start quarterly reporting on the use of derivatives and the data based on NACE codes. We would suggest that the threshold for IORPs required to report individually should be updated and increased, to €1,5 bn, and the threshold for IORPs required to report on derivatives should also be considered. In addition, the thresholds for the smallest should be increased, at least at total assets of EUR 35 million.

PF.02.01 Balance sheet (Q3-Q5)

Q3. Do you agree that these changes would reduce complexity and ensure consistency in the reporting of the fields on the asset side of the balance sheet (YES/NO)? Please explain if not.

In terms of consistency, it might be yes, but in terms of complexity, it can lead to the opposite effect, because reports with more information can make it difficult to read.

For IORPs providing unit-linked or similar benefits, analyses based on the balance sheet could be misinterpreted if assets held for members and beneficiaries in the balance sheet are not sufficiently distinguished from the reporting of other investment funds/share assets. Currently such assets are grouped together with other investment funds/shares. This risk for confusion is likely to increase if the proposed new and extended reporting of look-through of investment funds also encompass unit-linked benefits.

To some extent the problems could be avoided by introducing a separate data point for the reporting of such assets in PF.02.02, or at the very least maintaining a specific subcategory within the reporting of shares/funds, where these assets can be reported separately from the assets of other collective investment undertakings. Alternatively, further explanations could be given in the PF.06.03 making it clear that the focus of that reporting is exclusively collective investment undertakings and not also unit-linked benefits.

Regarding the costs of the implementation, in general the changes in the balance sheet could have constituted a cost reduction if they had instead been implemented originally in the review of 2018, but naturally now their implementation would introduce implementation cost to IORPs to affect the changes.

Q4. Are there any data points added which you consider unnecessary for IORPs? Do you consider additional data points which have not been included but which would be necessary for IORPs balance sheet?

No. Aside from the issue specifically brought attention to in the above Question 3, relating to assets of the IORP held in relation to unit-linked benefits, we do not see any necessity for additional data points.

Q5. How do you assess the costs resulting from the changes to the balance sheet in the EIOPA BoS Decision, templates and instructions (low-medium-high)? Please explain.

Medium costs; even though in the balance sheet changes it is more a matter of specifications than a radical change. Most specifications should be available already for other reporting purposes, so we expect rather low costs resulting from the proposed change. Particularly, we are concerned about the extra burden and costs of the changes to small and medium sized IORPs.

Changed data requests do have to be implemented in the automatized reporting routines. Moreover, external data providers may have to be incorporated which could lead to increased costs.

PF.04.03 Cross-border (Q6-Q7)

Q6. Do you agree that these changes are necessary for EIOPA in order to monitor cross-border developments? Please explain if not.

Yes, we agree.

Q7. Do you agree that the impact of these changes is fairly limited resulting in low costs considering that the information should already be available? Please explain if not.

Yes, we agree.

PF.05.03 Expenses (Q8-Q9)

Q8. Do you agree that adding an additional column specifying the reporting basis should enhance comparability between the reported datasets? Please explain if not.

No.

An opinion is not a guideline (i.e. no comply-or-explain; good reasons for opinions with regard to IORPs); an opinion therefore allows flexibility in implementation, which at least some of the NCAs will also use; in Germany, the first step towards implementation is a one-off fact-finding exercise (see 3.22 EIOPA Opinion). We strongly reject EIOPA's political approach (to turn an opinion into a guideline and to put pressure on the NCAs via a BoS decision on reporting) and the substantive attempt (see second PE paragraph) to create an unachievable comparability. The EIOPA reporting requirement on costs should continue to be limited to what IORPs nowadays must report nationally.

In addition to this, we note that in some EU countries the heterogeneity between IORPs and pension plans they administer does not allow a comparison of costs. Moreover, furthermore information on the "costs paid by the sponsor" this is not always available to IORPs. Furthermore, the heterogeneity also implies that cost comparison between countries will not be particularly meaningful.

Q9. Do you agree that the impact of these changes is fairly limited resulting in low costs considering that the additional information is an alternative for the current information? Please explain if not.

All new reporting means inevitably costs that will need to be borne by IORPs and pension plan members. Two different sets of reporting for the collection of information on IORPs' costs and charges must therefore be avoided. If IORPs must start reporting on expenses in a different way than how they are reported on a national level and for the purpose of their financial reporting, naturally there will also be a cost in developing such a new reporting system. In addition, there would also be extra costs if the new expenses reporting would require a look-through approach to expenses as EIOPA proposes, i.e., if costs for individual funds should be accounted for as an expense for the IORP in excess of fees paid.

Given the above reasons, it is preferable that IORPs continue to report in PF.05.03 as before and in accordance with national accounting principles, while NCAs, which are best placed to do so, could aid EIOPA and ensure that EIOPA understands the reporting principles used in Member States, thereby achieving EIOPA's aim of comparability between Member States.

PF.06.02 List of assets (Q10-Q12)

Q10. Do you agree that these changes would help EIOPA to better analyse the asset data received including on ESG (YES/NO)? Please explain if not.

Not necessarily. Also, at this stage, it may be premature to request detailed ESG data on a regular basis from IORPs.

Furthermore, we find that the proposed additions have been thoroughly considered, as they are not comprehensive. What is the background and objective of the ESG information required here?

Double reporting must always be avoided, and so data reported in accordance with the requirements of EMIR and SFTR should not (also) be required by EIOPA, see also above on the timeline. A concrete example of this is the proposed new requirement being introduced to report assets pledged as collateral, which replicates reporting to ESMA under the EMIR provisions.

Some of the new data will require a lot of manual data collection and input, e.g. data on infrastructure investments, and some data could even be difficult to find, e.g. full and sufficient NACE code data to be provided on RGLAs. For these data points the costs of new requirements is expected to be high to very high, also bearing in mind that some of them may require significant manual input, and they should not be introduced in the reporting framework now. If NACE information is required, EIOPA should provide a transposition table between all NACE codes and other international accepted standards (e.g. GIC codes).

The EU sustainable finance taxonomy regulation will give an indication of exposure to the various (NACE) sectors. To have a better picture of these exposures, using more granular NACE sub codes (4 digit) would provide better insights, but this information is not necessarily available to many IORPs, and therefore, it would increase the reporting burden and costs. Even if this more granular NACE information is available, it would not give a fair picture of the ESG risks resulting from the portfolio

held by the IORP (as the voluntary climate stress test of EIOPA's IORP stress test 2022 – in expectation - will show).

Depending on the purpose, different ESG information is necessary. The data (market) for these types of ESG information is developing and changing. Many IORPs will not have this information readily available and market standard are still in the process of development. We urge EIOPA to consider waiting until standards have been developed and these forms of ESG data are being used more regularly by IORPs. Also, see the answer to question 13.

Regarding the proposed extended requirements on external rating information, some NCAs have previously communicated that IORPs will not need to acquire more rating services, and EIOPA should respect that.

Q11. Are there any fields added which you consider unnecessary for IORPs?

In our opinion there are a few fields unnecessary for IORPs. However, IORPs working with external asset managers receive aggregate information and not on an asset-by-asset basis which is sufficient for them.

EIOPA should first check with NCAs if any IORPs are directly investing in cryptos (at least most of them are not allowed by law).

“Regional Government and Local Authorities” – the required information is not part of national reporting requirement in many countries, and the requirement will therefore lead to work and cost. In addition, we do not see the need of the RGLA details in relation to investment risks, and therefore, it is unclear why EIOPA needs this information.

ITS – exactly what does this abbreviation stand for in this consultation?

Property location and infrastructure investment: again, the required information is not part of national reporting requirements in many countries; where will this data come from?

Finally, we find that the proposed additions have been thoroughly considered, as they are not comprehensive. What (just) these fields should be inserted?

Q12. Do you consider the changes also useful for IORPs' own reporting or risks assessments? Are (some of) the additional fields already available at IORPs? Please explain.

We do not consider the changes are in any way useful for IORPs own reporting or risk assessments. Had they been so, then IORPs would already have done so! Most of the information that IORPs need for risk assessment and reporting is already available for them-

Q13. Which additional data, not included in the suggested amendments do you use or do you consider necessary for IORPs' risk assessment concerning emerging risks, ESG requirements or other tasks (e.g. would participations be useful)?

The EU is developing an integrated sustainability reporting system through the SFDR and CSRD, linked together with the ESAP. Under the SFDR, IORPs are required to disclose on many different ESG issues, such as their policies on ESG risks, the environmental and social characteristics of the pension scheme, Taxonomy exposure and Principal Adverse Impact indicators. We strongly question any further need for ESG data to be integrated in this reporting regime during the upcoming reviews.

Q14. Currently, EIOPA came across data quality issues related to the reporting of the external rating which are often left blank. Could you please explain what the difficulties are to report this field or what could potentially trigger them?

To be able to have decent rating and data quality on this matter a more mature set of data, definitions and providers is needed. In addition, IORPs working with external asset managers often receive this information on an aggregate basis and not asset-by-asset.

For new companies or new bonds ratings may not yet be available from the beginning. Not listed companies and assets often do not have an external rating.

Due to high costs, IORPs may not have contracts with all rating agencies (Moody's, Fitch etc.). We observe constellations where one agency with which an IORP does not have a contract may have a rating for a company or bond and the other agencies which the IORP has a contract do not have.

CRA III – see in particular the Article 5: no requirements to use external ratings.

Q15. How do you assess the costs resulting from the changes to the List of Assets in the EIOPA BoS Decision, templates and instructions (low-medium-high)? Please explain.

Medium-high, due to the implementation of additional data (i.e. licensing costs and building/maintaining infrastructure) as well as setting up the (reporting) tools.

PF.06.03 Look-through (Q16-Q17)

Q16. Do you agree that a complete overview of the exposures is needed, including UCITs to conduct proper analysis on the potential market risks (YES/NO)? Please explain if not.

In principle, a supervisor needs a look-through of funds. Due to national requirements, in some countries IORPs must make and deliver a look-through for all funds. This data could also be aggregated by the NSA and given to EIOPA.

In general, we believe the transitional exception for the reporting of collective investment undertakings should not be changed now. It would be premature to increase the IORP reporting by

requiring a detailed look-through reporting for assets held in collective investment undertakings, and this area should be revisited at a later stage instead. If EIOPA needs additional information, it should use the Centralised Securities Database (CSDB).

In its current format, the reporting would risk unduly capturing assets held in IORPs with unit-linked or similar benefits. For IORPs with unit-linked or similar benefits we think there are two viable alternatives: a) either to exclude those from look-through reporting (by including clear instructions to the PF.06.03 reporting) or b) to split data points in PF.02.01 (and correspondingly in the PF.06.02 reporting) to ensure such assets are separated from the reporting of assets held in regards to other CIUs in the balance sheet or PF.06.02, thus making it clear that assets held in regards to the provision of unit-linked or similar benefits are not in scope of PF.06.03. This would avoid misinterpretations when analysing data. See also above comments in Q3 and Q4 on PF.02 and the reporting of assets for IORPs providing unit linked or similar benefits.

Q17. Do you consider it necessary that IORPs understand their exposures for their own reporting or risks assessments? Please explain.

Yes, IORPs should have a clear and comprehensive overview on their investments, but this is already the case due to national prudential regulation and reporting requirements. Therefore, there is no added value by additional EIOPA requirements, only additional work and cost (while we agree with the assertion that “Certainly IORPs need to understand their exposures” (to be able to manage them accordingly)). We acknowledge that this regard, where said benefits outweigh the increased administrative costs is not necessarily a static environment. Rather, it is dynamic and develops as markets, (novel) asset classes and risks develop.

Q18. How do you assess the costs resulting from the removal of the transitional on UCITs in the EIOPA BoS Decision, templates and instructions (low-medium-high)? Please explain.

In some countries, a look-through for fund (not only UCITs) has been established due to SII requirements and is also available for IORPs. Meanwhile, the quality is acceptable. We think that it is important that IORPs receive this existing data. The work is then manageable for all (also especially regarding smaller IORPs with few staff) if the requirements can be met with the Tripartite Template (TPT) and are thus part of standard processes.

PF.08.02 Open derivatives (Q19-Q21)

Q19. Do you agree that additional data on derivatives is needed, in order to properly assess the risks stemming from derivatives investments (YES/NO)? Please explain if not.

No. What is stated above for PF.06.03 applies in equal measure here as well. We believe at this time it would be premature to increase the IORP reporting presently by asking for detailed derivatives positions reporting, and this area should be revisited at a later stage instead. As mentioned before, we also question the disproportionate reporting costs on smaller IORPs.

An analysis built only on the data now being requested would not give the whole picture of IORPs' exposure and would not give the whole picture of the market. It could lead to wrong conclusions from a supervisory perspective. Also, it should be added that this reporting, similarly to that of PF.06.02, will add considerable costs, e.g., by requiring detailed rating information.

Regarding small and medium sized IORPs in most of the MSs, only very few of them use derivatives; it depends on the investment policies carried out and on legal constraints to the use of derivatives (if required). To make the reporting fit for purpose and avoid unnecessary costs, it could be beneficial if EIOPA used the same constraints envisaged for the look through of the UCITS (PF. 06.03.24). Such a choice would have the advantage to concentrate the analysis on MSs and IORPs for which the use of derivatives may represent a significant challenge for their stability and for the income at retirement of their members and beneficiaries. As IORPs use derivatives to reduce risks in their investment portfolios, excessive reporting requirements should not anyhow result in discouraging IORPs to use them – which is a real and present risk, should more detailed reporting be required.

In its analysis, EIOPA could significantly benefit from various already available information/reports on IORPs' investments in derivatives, such as: the data provided under the EMIR Regulation, ESMA data and reports, the ECB pension funds statistics, and the data that NCAs have.

Q20. Do you agree that the reporting of derivatives is proportionate as IORPs should understand their exposures to derivatives for their own reporting or risks assessments?

No, but when using derivatives, IORPs should have an appropriate understanding of those derivatives. However, this does not require EIOPA reporting requirements. See also our comment on question 19.

Q21. How do you assess the costs resulting from the potential inclusion of mandatory derivatives reporting in the EIOPA BoS Decision, templates and instructions (low-medium-high)? Please explain.

Low costs for listed derivatives, but medium costs for unlisted derivatives (if data cannot be transferred automatically from a data provider, e.g. Bloomberg).

The costs strongly depend on the scope of IORPs' derivative investments. There may be IORPs that intensively use e.g., inflation and interest rate swaps for hedging, while other IORPs may only use plain vanilla forex forwards. Costs associated with the first strategy are substantially higher than costs associated with the second strategy.

While, for instance, in the Netherlands (noting that, according to ECB statistics, Dutch pension funds hold over 96% of all the derivatives owned by euro area pension funds), the specifications should be available already for other reporting purposes or can be made available, the added costs could be significant for those few small IORPs which use derivatives, and therefore, NCAs would be best placed to determine (separately) if and when additional information is needed.

PF.29.05 technical provisions (Q22-25)

Q22. Do you agree that there is a need for a comparable basis if EIOPA wants to assess risks at EEA level? Please explain if not.

Yes and No. I.e., we agree that EIOPA may in some instances require “a comparable basis”, if it wants to assess risks at EEA level. However, we believe it should not emanate from adding untoward or burdensome additions to the existing IORP reporting (the Article 13 of the IORP II Directive only sets EU minimum standards; we reject any EIOPA full harmonisation approach by reporting requirements). In practice we think this is very difficult to achieve “comparable basis” through the reporting alone in practice. Given that the IORP reporting in relation to technical provisions is based on national accounting principles and requirements due to the national implementation of the IORP II Directive, it is preferable that EIOPA will not extend the PF.29.05 reporting, but instead NCAs will provide analyses to EIOPA, if needed. NCAs are best placed to do so given their knowledge of the national accounting principles and they could help and ensure that EIOPA understands information received, thereby achieving EIOPA’s aim of comparability between Member States.

Q23. Do you agree that cash-flows should also be collected by IORPs for their asset liability management and to check on liquidity risks?

No. We are not supportive of the PF.29.05 reporting and thus are not supportive of any additional reporting either in PF.29.05 or in other templates to support the analysis of information received in PF.29.05. Given this, we do not believe there is any need for EIOPA to collect cash flow information on a regular basis. Cashflow perspective and ALM steering is sufficiently assessed within the asset liability studies which are mandatory and must be provided to NCAs.

In general, cash flows are particularly relevant for liquidity analysis, while many IORPs have very limited or no liquidity risks. For some specific types of DB schemes (e.g. defined contribution plans with sponsor guaranteed returns) the cash flow information is of little relevance, and in some other types of plans the cash flows that are collected in the context of an ALM also depend on the projections of the assets.

In some countries, IORPs use cash flow information for their ALM studies, but only every three years (and not annually) and for a limited time horizon. Furthermore, even if cash flow information is available, recalculations (then using EIOPA assumptions) will be required.

Q24. Which of those options would you consider most fit for purpose? Please explain. Are there other options not included in the above that would serve EIOPA’s objectives and should be considered?

Refer question 23, where we raise our general objection against the type of reporting required in the PF.29.05 template. From the options presented by EIOPA in the consultation paper and if the proposal is at all to be implemented which we do not recommend, we would prefer option 2 or, as a second-best alternative, option 1. The work for IORPs required in option 1 and 2 is almost identical. It is therefore more of a policy question: why and for what should EIOPA need individual cash flows on a regular basis? Supervision for individual IOPRs is done by the NCA.

If the option 3 would be chosen, the sensitivity analyses should be dropped. The outcome of such analyses would be difficult to assess in practice and might lead supervisors to draw incorrect conclusions. Cash flows (aggregated) give a fact-based overview of data without interpretation and assumptions /definitions which are needed to do sensitivity analysis.

Regarding small IORPs, we have concerns related to the legal basis (see Article 35 (1) of EIOPA Regulation), small IOPRs have not participated in the EIOPA stress tests so far and they see no or very little added value in collecting this additional information, while the cost and burden to them would increase. No conclusions could be drawn without also considering, for example, the details of the underlying liabilities, the plan details etc, and therefore, an analysis on this data could lead to wrong conclusions.

No, we do not suggest any other options. Refer answers to Q22 and Q23 above.

Q25a. How do you assess the costs resulting from Option 1 – Cash flow reporting?

Medium-High (varies from country to country)

In some countries cash flows should be available already for other reporting purposes or could be made available (rather) easily, and in some countries, information is already available from ALM studies and risk models, but new calculations (with EIOPA assumptions and requirements) are probable.

In some other countries, most IORPs use cash flow information for their ALM studies, but only every three years (and not annually) and for a limited time horizon. Therefore, the additional cost and burden particularly to small IORPs could be (rather) significant.

Q25b. How do you assess the costs resulting from Option 2 – Cash flow reporting (aggregated)?

Medium-High (varies from country to country)

The work for IORPs required in option 1 and 2 is almost identical. It is therefore more of a policy question: why and for what should EIOPA need individual cash flows on a regular basis? Supervision for individual IOPRs is done by the NCA.

See our answer to Q25a, which applies similarly to Q25b.

Q25c. How do you assess the costs resulting from Option 3 – Sensitivity analysis?

High. The sensitivity analysis is an additional reporting requirement above what the IORPs already produce today. As such would be undertaken solely for the purpose of providing this to, it would generate additional costs, and the level of costs would depend on the (complexity of) definitions provided by EIOPA and the chosen parameters.

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 **25 member associations** in 18 EU Member States and 4 other European countries⁵.

PensionsEurope member organisations cover different types of workplace pensions for over **110 million people**. Through its Member Associations PensionsEurope represents **€ 7 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 **19 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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⁵ EU Member States: Austria, Belgium, Bulgaria, Croatia, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Portugal, Romania, Spain, Sweden. Non-EU Member States: Iceland, Norway, Switzerland, UK.