Annual Report

EFRP

European Federation for Retirement Provision

EFRP 2008

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Annual Report

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Introductory remarks

2008 was an exceptionally challenging year for all of us. First, the credit crunch swept throughout the world and led to an **unprecedented asset meltdown** on the financial markets. In a second move, the financial crisis is putting the real economy under severe pressure.

Pension institutions were severely hit by the financial tsunami. However, despite the turmoil, they continued to pay out pensions and invest in the financial markets. All in all, we are happy to report that **pension funds** in general are **weathering the storm** to date.

All over Europe, massive amounts of state capital have been injected into credit institutions to shore up the financial system and avoid its collapse. Innovative recovery plans have been laid down to mitigate the short-term effects of the crisis on the real economy. However, their effect on **state budgets and debt** is giving cause for serious concern since they are putting the long-term sustainability of state pension systems at risk. For EFRP, even more so than in the past, there are good arguments to come up with an agreed EU-level policy choice for building **fully-fledged, independent private pension systems**.

This is a responsibility Member States should take on if they want to avert poverty in old age for the generations that are set to retire in the next decade.

Statistics show that workplace pensions are assuming paramount importance in avoiding poverty in old age. This is why workplace pension provision should be valued as an essential benefit of compensation packages. Priority action should be taken aimed at ensuring **more people benefit from workplace pensions**.

EFRP feels encouraged that the EU Commission consultation on the solvency regime for specific IORPs reveals agreement by all major stakeholders that **more indepth and field analysis is needed before legislative action** is taken to further converge the **prudential regime** for funded workplace pension providers.

However, a legislative “standstill” does not mean doing nothing. We would recommend that the next steps take the form of:

- a wide-ranging survey to assess the impact of the IORP Directive in the Member States;
- mapping the diversity of overall retirement provision in the EU and structuring it so as to allow for comparison and equivalence;
- a Commission Green Paper on how to develop adequate, affordable workplace pensions for all working people.

This course of action fits in very well with the need to take a **holistic approach to pensions policy**, capable of blending social policy and single market issues. It could combine the pension systems in the EU-15 with those in the CEE region and address DB and DC pension issues. But most of all, it would give Europe the opportunity to become ambitious in its pension policy, to close the gaps between Member States, to complete the internal market for workplace pension provision while preserving the social policy aspects, and to make cross-border provision of pensions unproblematic.

Throughout 2009, our first priority will be to make sure that scheme members and policy-makers maintain confidence in funded pensions. It is critical that governments target action at systemic institutions. IORPs are suffering under the financial crisis and need support from supervisors to enable them to recover from the negative financial market conditions. Our action will be guided by re-building reserves to ensure that current and future pensioners are paid their pensions as promised. Therefore, we will counter any attempt to force pension institutions to work in a short-term framework. We also look forward to further integrating our CEEC Forum Members in EFRP and strengthening our work on DC pensions.

Angel MARTINEZ-ALDAMA

Chairman

Chris VERHAEGEN

Secretary-General

Looking ahead to 2009

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The financial crisis has highlighted serious weakness in the regulatory, supervisory and crisis management framework for the EU financial sector. At the time of writing, the exact content of an EU package to plug the gaps identified in the financial sector is unknown. However, EFRP is expecting **no specific crisis-related measures for pension funds**. Our members have in general withstood the storm without state intervention and the EC consultation on IORPs has shown that there exists broad agreement among all stakeholders that the IORP Directive needs more analysis and time to unfold in full before a legislative proposal to review it is tabled.

On **financial crisis-related activities**, EFRP will in the course of 2009 issue a response to the recommendations of the de Larosière Group on the supervision of EU financial markets as well as the Commission Communication related to it[1].

EFRP is looking forward to participating in the announced **EU Commission Open Hearing on Solvency rules for IORPs** on 27 May 2009. It will be an opportunity to state our views and reflect with all stakeholders on the future of the IORP Directive. We are hopeful that the Open Hearing will give us useful input for our strategy paper on what workplace pensions could look like in 2020. It is our ambition to present such a paper at the 4th European Pension Funds Congress in Frankfurt on 18 November 2009.

Also in Frankfurt, we will present the results of a **fact-finding survey mapping out DC pension provision** in Europe. Systemic information on the fastest-growing segment of workplace pensions is currently lacking. We hope that our survey will be used as a tool to gain a better understanding of the DC environment in Europe and identify the necessary policy initiatives for addressing the challenges of DC pensions.

We are also looking forward to the outcome of the discussion on the **Lisbon Treaty**. Adoption of the Treaty could not only change the face of the European Union but also lead to new competences for the EU in the area of social protection by doing away with the unanimity requirement for social affairs policy measures.

1 European Commission COM (2009) 144

Funded pensions and the financial and economic crisis

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In 2008 the world was seized by what many commentators reckon to be the worst crisis since the Great Depression. After the collapse of Lehman Brothers in September of that year, it became clear that the financial system was deeply infected with toxic credit instruments. Global stock markets fell by 40% over the year.

As lending to the private sector ground to a halt, the financial crisis turned into a severe recession and the European economy contracted by as much as 1.5% during the fourth quarter of 2008.

At the time of writing, it is unclear how long and deep the economic recession will turn out to be. Hopefully, governments will be successful in quickly rehabilitating the banking system and restoring confidence in the financial markets. This will be essential for a revival of credit to the private sector and recovery of the economy.

So far, IORPs have weathered the storms on the financial markets surprisingly well. However, this is certainly no time for complacency. Pension funds and their stakeholders must seize the opportunity of learning from current experience and – if necessary – making adjustments to emerge even more robust from the financial crisis.

2.1 Impact on DB pensions

The fall in asset prices has resulted in a **deterioration in the financial position of defined benefit (DB) schemes**. In the United Kingdom, the Pension Protection Fund index of overall funding levels dropped from 94 to 80% over the year. In the other two main pension fund markets, the Netherlands and Switzerland, declines in funding levels were noted from 144 to 95% and from 112% to 97%, respectively.

An important feature of DB schemes is intergenerational solidarity: the ability to smoothen out shortfalls (or surpluses) over various generations reduces risks for individual plan members. This feature means that the erosion in funding positions will **be borne collectively by employers and/or plan members** and the impact on the individual will remain limited.

In the UK, plan sponsors will have to come up with **additional funding**, since they have a legal obligation to guarantee that pensions are indexed to inflation. However most other Member States employ some form of risk-sharing, meaning that the financial position will be restored by raising contributions, suspension of indexation or even reducing accrued benefits.

Furthermore, IORPs are often allowed considerable **recovery time** to facilitate such intergenerational risk-sharing. In some Member States – such as Finland, the Netherlands and the UK – discussions are underway to extend recovery periods given the exceptional nature of the crisis. This would also help dampen the procyclical impact of higher contributions and lower pensions on already ailing economies.

2.2 Impact on DC pensions

Defined contribution (DC) plans have expanded significantly during the past decade. In DC plans, a fixed contribution is made to the employee's individual account and the resulting pension upon retirement is dependent on the returns on the investment portfolio. As a result, the fall in asset prices will have directly affected the retirement savings of DC members.

The financial crisis may especially pose a problem for employees that are near to retirement and have substantial exposure to equities. Those that have just retired on a lump-sum pension may also have been severely hit depending on the investment choices made upon retirement. Young people have sufficient time to recover from the decline in the stock markets. In the UK – the largest and most mature DC market – 90% of DC members are enrolled in so-called **lifecycle funds**, in which risk exposure is reduced in line with the age of the plan member by reducing the proportion of equities and increasing the proportion of bonds.

The financial market meltdown underlines how critical **plan design** can be. **Financial education** in understanding the options available for investing retirement savings and drawing income from them will help plan members take the right decisions.

2.3 Impact on mandatory DC schemes in CEEC

The impact of the financial crisis on mandatory DC schemes – which basically means all DC plans in the central and eastern European countries (CEEC) – has probably had limited effects.

Assets in individual accounts under these schemes are still at relatively low levels. The reformed pension systems have existed for less than a decade and often only apply to young employees. Moreover, in some cases, contributions started off at low levels with the aim of rising over time.

More worrying is the fact that some governments in the CEEC have **targeted the mandatory private pension system to resolve their budgetary problems**. Lithuania has decided to abandon the intended increase in contribution rates for 2009 and Romania is considering doing likewise. In 2008, Slovakia encouraged second-pillar plan members to switch back to the public pay-as-you-go scheme by offering a tax credit. Croatia is considering offering second-pillar members the same option of returning to public pension provision.

All these moves have one single objective: to boost government income with a one-shot operation that compromises the structural reforms that were – and still are – needed to converge with the eurozone. These policies may be attractive from a short-term perspective, but over time they will result in unsustainable public finances since the reduction in private retirement savings will exert upward pressure on future public pension expenditure.

CAUSES OF THE FINANCIAL CRISIS

The financial crisis originated from the low interest rate environment that dominated the world in the years 2005-2007, preceding the turmoil. Low interest rates were caused by global current account imbalances, with countries in Asia and the Middle East running up large surpluses. The accumulated reserves were primarily invested in US treasury bonds, which resulted in high bond prices and low yields.

However, lax monetary policy by central banks also contributed to low interest rates. Many economists argue that monetary authorities in fact created a “boom and bust” cycle.

Low interest rates encouraged investors to increase risk-taking in a “quest for yield”. Financial institutions invested in asset-backed securities – like collateralised debt obligations (CDOs) – using excessive borrowing. In addition, credit default swaps – a derivative instrument generating a payoff in the event of default on securities – gained considerable popularity in a bid to enhance returns. Most notably, banks and insurance companies manifested a considerable propensity for risk-taking. The potential gains enhance shareholders’ profits, but the downside risk is borne by depositors/policyholders or the state.

The financial turmoil has exposed the vulnerability of regulatory regimes with short-term, risk-based capital requirements. Such regimes provide institutions with considerable freedom to invest in risk-bearing securities, but they also encourage procyclical investment behaviour. With lower asset prices, financial institutions have to attract additional capital or reduce risk by selling risk-bearing assets. This has aggravated the crisis by inducing a downward spiral of selling off equities to reduce risk, entailing further stock market declines as a consequence.

Mark-to-market has added to the balance sheet problems of banks and insurance companies. Institutions have had to value structured credits using prices determined on the basis of a paucity of transactions on illiquid markets.

2.4 The way forward

Many Member States have only recently started to develop funded pensions in the second and third pillar. This means current retirement income is still very much dependent on public pay-as-you-go schemes. In those countries, the fall in asset prices has had little direct impact on pension provision.

State pensions may nevertheless come under severe pressure as many governments will be forced – now or in the near future – to reduce government outlays. The economic contraction has already resulted in large upward revisions in government deficit predictions. Moreover, the billions of euros of state funds spent to bail out banks and insurers have increased public debt and are putting the long-term sustainability of state pensions under severe pressure.

All this clearly illustrates that the ageing population requires a **strongly funded pension** pillar to ensure adequate retirement provision by diversifying income streams.

The financial crisis has fortified EFRP in its view that supplementary to a state funded 1st pillar, it is crucially important to build up a fully fledged, independent, private pension system. The governance structure of IORPs in most Member States is such that incentives for excessive risk-taking to please shareholders are non-existent. IORPs do not employ financial leverage, nor do they engage in speculative derivative positions – practices that are even strictly prohibited by the IORP Directive.

Current IORP environment

3

The IORP Directive is an important piece of legislation to help Member States develop funded workplace pension provision. Throughout 2008, EFRP dismissed calls to rush through the review of this directive and called for a more-considered assessment of its impact on national and cross-border workplace pension provision.

The financial crisis has illustrated that the principles of the IORP Directive are appropriate and sound. The crisis has revealed that IORPs have not incurred risks to the same degree as other financial institutions; their size does not pose a systemic risk and they have continued to pay out pensions and invest in the financial markets. For EFRP, this goes a long way to show that **the principle-based IORP Directive** – sometimes complemented with national social security mechanisms – **has proved it fitness** for purpose.

3.1 EC Consultation on solvency rules for some specific IORPs

In September 2008, the EU Commission launched a consultation on the harmonisation of solvency rules applicable to IORPs under Article 17 of the IORP Directive and IORPs operating on a cross-border basis[1]. The Consultation offered a good opportunity for us to present our views on the way forward for the IORP Directive.

EFRP was particularly pleased to read that *"the Commission has **no pre-conceived ideas** on the way forward at this stage and there will be no automatic extension of the Solvency II Directive proposal to IORPs subject to Article 17. Suggestions for **possible changes** to the current EU solvency rules for IORPs subject to Article 17, if any, need **to be based on a solid business case and a rigorous analysis of the costs and benefits of such changes**, in line with the Commission's Better Regulation agenda"*. This statement sounds comforting to EFRP: we have opposed the automatic extension of Solvency II to IORPs and are advocating a fully fledged "better regulation" process to provide guidance for further action, legislative or otherwise.

1 Consultative Document – Ref: Ares(08) 14767 – 3 September 2008.

To our knowledge, the Consultation has illustrated that **there exists no solid business case for amending the solvency rules for IORPs**. It should be noted that the European representatives of the social partners (BusinessEurope and ETUC) want the IORP Directive to be given more time to unfold its potential and have dismissed the idea of starting up a legislative review procedure for the Directive.

KEY MESSAGES IN THE EFRP RESPONSE TO THE EC'S CONSULTATION ON IORPS

- Few, if any, IORPs classified by Members States or CEIOPS as Article 17 IORPs carry all their own risk. They have other security mechanisms, including support from employers/sponsors, and therefore do not resemble insurance undertakings.
- Workplace pensions are not products in the same sense as insurance products, but a means by which employers can deliver an important component of their remuneration packages in house. They are also a means for social partners to self-cater occupational pensions on a non-profit basis.
- There is no evidence that further harmonisation of the prudential regulation of IORPs would be desirable, nor is there evidence that the variation in prudential rules is hindering the single market for workplace pension provision.
- New cross-border activity has had insufficient time to develop since the directive was fully implemented across the EU in June 2007.
- The diversity and opacity of Member States' social and labour laws are an obstacle to cross-border provision.

3.2 Proposal for a Solvency II Directive

Despite the EIOPC decision[2] to carve out from the Solvency II process all IORPs, the proposal for a Solvency II Directive tabled on 10 July 2007[3] did not fully reflect this. EFRP found the text **legally unsafe**, as did other experts from the pension funds community.

The EU Commission's statement in the Explanatory Memorandum to the Proposal that Solvency II should not be applicable to pension funds, not even those partly falling under Solvency I, was not properly transposed into the legislative part of the proposal text.

In May 2008, EFRP tabled its paper on "funding and solvency principles for IORPs" explaining why **Solvency II is not appropriate for IORPs** and how the IORP Directive forms the basis for a secure single market for workplace pension provision.

Peter Skinner, European Parliament Rapporteur on the ECON Committee, upheld the concerns and claims of the pension fund industry and tabled an amendment to ensure that the current solvency regime for IORPs remains unaffected by the new Solvency II legal framework. This amendment was adopted by the ECON Committee on 7 October 2008,[4] which is encouraging for those who hope that IORP regulations will remain stable for a while yet.

The final vote by the EU Parliament on the ECON Report has since been delayed as a consequence of the Council's drawn-out discussion on controversial points such as group support and the equity holdings of insurers.

The exclusion of IORPs from the scope of the Solvency II Directive has never been a disputed point of contention in the Council's discussions. However, at the end of September 2008, the French Presidency did propose a method to ensure that the solvency regime for IORPs remained untouched by the Solvency II proposal by proposing to insert into the IORP Directive all the provisions of the Life Assurance Directive that are currently considered part of the solvency regime for IORPs subject to Article 17(1).

EFRP opposed the French Presidency's approach because, in our opinion, it might create more problems than it would solve as:

2 EIOPC, 5 April 2006.
3 Directive on the taking-up and pursuit of the business of Insurance and Reinsurance, COM(2007)361. (An Amended proposal COM (2008) 119, was issued on 26/02/2008.
4 Amendments 23 and 144 of the report of the ECON Committee on the amended proposal for a Solvency II Directive.

❖ it introduces additional requirements for IORPs subject to Article 17(1) of the IORP Directive, such as a guarantee fund;

❖ it transforms the IORP Directive into a virtually unreadable patchwork text, contrary to all the "better regulation" principles;

❖ it fails to unfetter the IORP solvency regime from the scope of Solvency II, as it contains several references to the Solvency II Directive.

EFRP is hopeful that adoption of the Solvency II Directive in the Council and in the European Parliament can be achieved before the end of the parliamentary term in May 2009, and will be continuing its calls on policymakers:

- to choose the easiest, simplest solution to deal with the link between the IORP Directive and the Life Assurance Directive; and
- to accept the method proposed by the European Parliament ECON Committee.

EFRP PAPER – SECURING WORKPLACE PENSIONS

Applying the Solvency II Directive to IORPs would:

❖ ignore the fundamental differences between life insurers and IORPs in many Member States;

❖ seriously harm the provision of workplace pensions in those Member States using IORPs as the main financing vehicle for workplace pension provision;

❖ have a very detrimental effect on the EU's financial markets and increase financial systemic risk.

Furthermore, IORPs have their own EU-level regulatory regime, namely the Institutions for Occupational Retirement Provision Directive (Directive 2003/41/EC), which provides adequate, effective protection to members and beneficiaries. The IORP Directive, adopted in June 2003, was not in full operation in all Member States until May 2007. Instability in legislation is to be avoided, especially where there is no evidence of a need to bring IORPs under an insurance-like regulatory regime.

EFRP accepts that the solvency regime for IORPs will be subjected to further scrutiny in the near future as part of the EU Commission's evaluation of the IORP Directive. This process should not be rushed, but should be properly prepared for to avoid poor policy decisions affecting the future of workplace pensions.

3.3 CEIOPS' work on occupational pension provision

CEIOPS is the level-3 Committee competent in the fields of insurance, reinsurance and occupational pensions. Within CEIOPS, the Occupational Pensions Committee, chaired by Mr. Tony Hobman, Chief Executive of the UK Pensions Regulator, is the driving force behind the work on IORPs. CEIOPS issued a number of interesting reports in 2008 in relation to occupational pension funds with the aim of helping the EU Commission in its analysis relative to the IORP Directive.

3.3.1 IORP implementation

In March 2008, CEIOPS published a report on the initial review of key aspects of implementation of the IORP Directive[5].

EFRP found itself in agreement with the main findings of the report:

- implementation has **not led to major difficulties;**
- it is **too early** to tell whether the implementation has generated issues that in turn give rise to the need for legislative change;
- a considerable part of the **diversity in supervisory requirements and practices** arises from the very different historical, social and cultural situations across the Member States;
- the directive, by virtue of the option it explicitly grants, allows Member States to implement its provisions in **accordance** with their existing **national priorities and preferences**.

The report also calls on the Commission to provide **clarification** on the interpretation of

- cross-border activity;
- subordinated loans; and
- ring-fencing.

EFRP would also like to see consensus on the interpretation of some key concepts in the context of the cross-border activity of IORPs, such as cross-border activity, ring-fencing and host-state social and labour law.

5 CEIOPS – OP- 03-08, 31 March 2008.

3.3.2 Solvency rules for IORPs

In April 2008, CEIOPS Solvency Sub Committee of the Occupational Pensions Committee published a survey[6] on the existing solvency rules for IORPs, mapping out **different approaches to the funding and solvency** of IORPs providing occupational DB pension schemes.

EFRP welcomed the fact that the report stated that *"material differences between pension funds and insurance companies in many countries suggest this [the application of Solvency II requirements to pension institutions] is not an appropriate course to pursue. Such action could lead to excessive costs and thus bears the risk of threatening the continued provision of defined benefit schemes".*

The report also confirmed statements that EFRP had been making for some time in opposing the extension of Solvency II to Article 17 IORPs together with a further harmonisation of the IORP legislation:

- the existing prudential frameworks for IORPs are very diverse;
- these differences (such as valuation methods and, security mechanisms)[7] have **historical and cultural roots** and do not necessarily imply substantially different security levels between Member States;
- different methods can be used to secure pension benefits, and funding standards need to **balance beneficiaries' security and the associated costs**;
- pension supervisory frameworks do not have to be identical;
- **social and labour law** has an impact on the prudential framework.

EFRP is happy that the survey provides extensive data on the differences between Member States, but regrets that the report has neglected to explain or explore the reasons why those differences occur. In our opinion, they are linked to the different levels of reliance on the second pillar in Member States' social protection systems. To our mind, the report illustrates very clearly that **second-pillar pension provision cannot be analysed in isolation from first-pillar pension provision.**

6 CEIOPS- OPSSC-01, 7 April 2008.

7 For a list of security mechanisms, see page 28 – table 8 of CEIOPS – OPSSC-01, 7 April 2008.

EFRP is concerned that the section on supervisory competition makes quantum leaps out of line with the evidence in drawing unsubstantiated conclusions. EFRP would challenge anyone to come up with a jurisdiction where the supervisor is prepared to weaken standards in order to encourage IORPs to relocate.

3.3.3 Cross-border activities of IORPs

In November 2008, CEIOPS issued an update on market developments, which found that 70 cases of cross-border activity existed in the EEA as at June 2008, representing an **increase of 22 cases** compared to January 2007. The report showed an increase from five to nine in the number of home states between January 2007 and June 2008. The new home states were Austria, Belgium, Liechtenstein and Portugal. Previously, Finland, Germany, Ireland, the Netherlands and the United Kingdom had already been classified as Member States where cross-border IORPs had registered their main offices.

Institutional structure for financial supervision

4

The financial crisis has turned the spotlight onto the supervisory structure of financial institutions. It has also led to some stakeholders considering the 2008 Council and EU Commission initiatives to strengthen the supervisory structure as outdated. Those stakeholders consider that the supervisory framework ought to be the sole solution for restoring confidence in the financial markets at both national and European levels. It presently remains open whether, at the end of the day, there will be enough political support to shift away from principle-based to harmonised EU legislation, to bring macro- and micro-prudential supervision closer together and to force national and authorities to genuinely work together in an integrated way so as to become European authorities.

EFRP is closely monitoring this debate and participating in it as appropriate. We are convinced that the prudential environment of IORPs cannot remain totally insulated from a possible shake up of institutional and regulatory competences.

4.1 Lamfalussy Review

The ECOFIN Council of 14 May 2008 tabled a Roadmap[8] to further improve the regulatory and supervisory framework in Europe. The Roadmap distributed clear tasks to all the actors involved in the Lamfalussy process and included **detailed timetables for action** to be taken up until the end of 2009. The Council action points were also echoed in a broader European Parliament Report with recommendations on Lamfalussy follow-up and the future structure of supervision[9].

COUNCIL ACTION POINTS FOR L3 COMMITTEES

- **Mandates of L3 committees**: revision of their mandate by the Commission:
  - to ensure coherence and consistency in their mandates and tasks;
  - to strengthen their contribution to supervisory cooperation and convergence including specific tasks to foster convergence and cooperation;
- **Decision-making process:** from consensus to qualified majority voting - (QMV);
- **Accountability:** work programme and an annual review of achievements to be issued;
- **Resources:** the Commission should consider financial support from the EU budget for specific EU-wide projects that are requested by the EU Committees of Supervisors.

8 Council conclusions on The EU Supervisory Framework and Financial Stability Arrangements, 14 May 2008, 8515/3/08 REV 3; Council roadmaps on: Enhancing the Lamfalussy framework, including financial supervision; Financial Stability Arrangements; Actions taken in response to the financial turmoil, 14 May 2008, 9056/1/08, REV 1.

9 European Parliament Resolution with recommendations to the Commission (Lamfalussy follow-up – Future structure of supervision, 18 September 2008 (2008/2148(INI)).

In its **response** to the EU Commission's pubic consultation on the L3 Committees' future role, which followed the Council Roadmap, **EFRP welcomed** the update of L3 Committee statutes, **provided this remains compliant with the objectives of the EU legislator in the area of occupational pensions** as set out in the IORP Directive:

- mutual recognition of occupational pensions supervisory practice;
- intensified supervisory cooperation as required under article 21;
- supervisory convergence should therefore be secondary to supervisory cooperation, especially for occupational pensions.

EFRP also voiced some concern about the **unsatisfactory degree of transparency at L3 level** and its reluctance to see the L3 become empowered machinery able to take decisions by qualified majority voting.

In January 2009, the EU Commission adopted Decisions[10] setting up a clearer framework for the activities of the L3 Committees. EFRP welcomes this well-balanced review of the Lamfalussy framework, clarifying the situation without transforming L3 Committees into supervisory agencies. Moreover, we are satisfied that their role as promoters of convergence and coherence in supervisory practice has not been commingled with a "macro-prudential" financial stability role. In our opinion, macro-prudential supervision is the task of the European Central Bank. The L3 Committees will now be required to provide the EU Commission with twice-yearly assessments of micro-prudential trends, potential risks and vulnerabilities in their sector.

However, it remains to be seen how the work of the de Larosière group will influence the current institutional set-up of the L3 Committees.

10 Commission Decision of 23 January 2009 establishing the Committee of European Securities Regulators, C(2009) 176 final; Commission Decision of 23 January 2009 establishing the Committee of European Banking Supervisors, C(2009) 177 final; Commission Decision of 23 January 2009 establishing the Committee of European Insurance and Occupational Pensions Supervisors, C(2009) 178 final.

EU COMMISSION DECISION ON L3 COMMITTEES

- It formalises and specifies the tasks that Committees are already fulfilling such as facilitating mediation, exchanges of information, delegation of tasks between national supervisory authorities and establishing the annual work programme.
- More innovatively, Committees are given a role in safeguarding financial stability.
- Finally, QMV is introduced as a fall-back provision when no agreement can be reached through consensus.

As regards financing the Committees, in a Decision to be adopted by the EU Parliament and the Council, the Commission proposes a "Community Programme" providing for direct funding from the Community budget with a cap set at EUR 36.2 million for the 2010-2013 period. Financing will be provided in the form of grants for specific eligible activities such as training programmes, staff-secondment schemes and hosting conferences

4.2 de Larosière Group initiative

In the wake of the financial crisis, the President of the EU Commission, José Manuel Barroso, set up an independent High Level Group on financial supervision in November 2008.

The Group will make recommendations to the Commission on strengthening European supervisory arrangements covering all financial sectors, with the objectives of:

- establishing a more efficient, integrated and sustainable European system of supervision;
- reinforcing cooperation between European supervisors and their international counterparts;
- contributing to greater financial stability;
- helping maximise protection for depositors, policyholders and investors.

The Group has been asked to publish its initial recommendations in February 2009. It is expected that their report will again table all the issues on the institutional set-up of financial supervision.

Social policy initiatives

5

The role of workplace pensions in social protection systems is increasingly coming under scrutiny at an EU level. EFRP fully supports this policy development and is hopeful that an integrated approach to workplace pension provision will develop at EU level, taking into account both the social and the financial issues. In our opinion, a policy approach such as this would avoid any possible contradictions in the policy-making process and would send a clear signal to EU citizens that Europe is working to provide them with secure, sustainable, adequate income in retirement.

5.1 EU institutions discuss social security and private pensions

5.1.2 EU Parliament – Stauner Report

In November 2008, the EU Parliament issued a report on the sustainability of the social security system and the importance of private pensions[11].

This resolution took stock of current demographic trends and proposed action to be taken to avert, face up to and reduce their impact. The Parliament called on the Commission and the Member States to take certain specific measures or direct their policy in a proposed direction.

On private pension policy, EFRP particularly welcomed the call to recognise:

- the importance of workplace pensions as part of a sustainable pension system;
- the need to have **a balanced three-pillar pension structure** with statutory pensions (the first pillar) flanked by collectively funded occupational pension systems (the second pillar) and individual, supplementary third-pillar products;
- the importance of **tax relief in offering the best incentive for long-term savings**.

EFRP welcomes the resolution delivers a clear message regarding the complementarity of the three pillars. Although this resolution is not binding, it is expected to inspire the Commission in the preparation of its 2009-2014 work plan.

11 European Parliament resolution of 20 November 2008 on the future of social security systems and pensions: their financing and the trend towards individualisation – 2007/2290(INI).

5.1.2 Social Protection Committee – Privately Managed Pensions Report

The Social Protection Committee[12] (SPC) has issued a report on privately managed funded pension provision and its contribution to adequate, sustainable pensions.

The report discusses the wide diversity of private pension provision across the EU. It **stresses the need to reflect on the consequences of the increasing shift from DB to DC schemes** and the impact of the development of private pensions on the future adequacy and sustainability of social protection systems.

5.2 Mobility

5.2.1 Proposal for a Portability Directive

The EU Employment and Social affairs Council failed to reach the required unanimous agreement on the revised Portability proposal[13]. The revised proposal would cover all supplementary pension schemes linked to an employment relationship established in conformity with national legislation and practices. The sticking point continues to be vesting rights – with Germany and Luxembourg unable to support the proposed maximum vesting period of 1 year for scheme members over 25 and maximum vesting of 5 years for scheme members under 25. The Commission has not abandoned this issue and is currently working on a new draft that could more easily be approved after adoption of the Lisbon Treaty, which will replace the unanimity voting rule with qualified majorities.

5.2.2 Mobility for Researchers

In May 2008, the European Commission adopted a Communication on a European Single Labour Market for Researchers[14]. One of the proposed actions is to encourage pension providers **"to open up pan-EU pension schemes targeted at researchers"**. As a follow-up on this action point, the EU Commission has published a tender to study the feasibility of setting up a pan-European pension fund for EU researchers.

12 The SPC was established in 2000 to serve as a vehicle for cooperative exchange between the European Commission and the Member States. The SPC deals with the modernisation and improvement of social protection systems.

13 The proposal is now titled as the proposal for a Directive on Minimum Requirements for Enhancing Worker Mobility by Improving the Acquisition and Preservation of Supplementary Pension Rights.

14 EU Commission Communication of 23 May 2008 to the Council and the European Parliament, "Better Careers and more Mobility: a European Partnership for Researchers", COM(2008)317 final.

5.3 Robins case – Follow-up

In June 2008, the European Commission's DG Employment issued a descriptive working paper on the implementation of Article 8 of Directive 80/987/EEC[15] as a follow-up to the European Court of Justice decision in the "Robins" case[16] on transposition of that article. The report calls for further investigation into the adequacy of the Directive and how to protect employees and retired persons against the risk of pension-scheme under-funding.

ROBINS CASE

In January 2007, the European Court of Justice issued a decision in the Robins case on the transposition of Council Directive 80/987/EEC of 20 October 1980 on approximation of the laws of the Member States relating to the protection of employees in the event of the insolvency of their employer, concerning supplementary company or inter-company pension schemes outside the national statutory social security schemes.

The ECJ held that Directive 80/987 did not oblige Member States themselves to fund the protection of employees' pension rights and could not be construed as calling for a full guarantee of those rights by providing the necessary funding for schemes whose assets proved insufficient following the employer's insolvency. However, although it was not possible to establish with any precision what constitutes a minimum level of protection, it was to be concluded on the basis of unchallenged figures that a system such as that established by the United Kingdom could not be regarded as conferring "protection" within the meaning of Article 8 and was therefore incompatible with that article.

Indeed the UK Pension Act of 1995 could lead to a guarantee of benefits limited to 20% to 49% of the expected entitlement. The progressive implementation of the Pension Protection Fund, introduced by the Pension Act of 2004, should have,since then, raised those levels.

15 Council Directive 80/987/EEC of 20 October 1980 on the approximation of the laws of the Member States relating to the protection of employees in the event of the insolvency of their employer, concerning supplementary company or inter-company pension schemes outside the national statutory social security schemes.

16 Judgment of 25 January 2007, Robins and others, C-278/2005, ECR 2007, I-1053.

Tax developments

6

6.1 VAT

The current VAT Directive[17] dealing with exemptions for financial services provides insufficient legal certainty and has not been uniformly interpreted in all the Member States. In November 2007, the EU Commission tabled a proposal[18] to update the definitions of financial and insurance services that are VAT exempt in order to create greater legal certainty for those involved. The proposal also seeks to reduce the impact of non-deductible VAT by switching the decision on whether to opt to apply VAT from the Member State to the operator and proposes cooperation on a cost-sharing basis. This proposal is subject to unanimity in the Council, with the Parliament acting as a consultative body.

For EFRP, revision of the legal framework governing the VAT exemption for financial services is a good opportunity to **obtain a clear VAT exemption for the outsourced services of pension funds** such as investment management, consultancy, communication and administration services, etc.

We fully support the view of the European Parliament that there should be an explicit exemption for pension funds' outsourced services, but regret that the Council has failed to take a clear position on this exemption. Although it seemed to be going in the right direction at the end of December 2008 with the French Presidency's commitment to take up "a proposal which ensures that pension funds are taken into account …", the Czech Presidency announced at the beginning of January 2009 that it wanted to start again from scratch on the pension fund issue.

6.2 Dividend and interest paid to foreign pension funds

EFRP is very pleased that its action, together with Pricewaterhouse-Coopers, in the area of the discriminatory treatment of dividends and/or interest paid to foreign pension funds is continuing to be a success.

17 Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax: OJ L 347, 11.12.2006, 1-118.

18 Proposal for a Council Directive amending Directive 2006/112/EC on the common system of value added tax, as regards the treatment of insurance and financial services COM(2007) 747 final 2007/0267 (CNS) of 28 November 2007; COM(2007) 746; and final Proposal for a Council Regulation laying down implementing measures for Directive 2006/112/EC on the common system of value added tax, as regards the treatment of insurance and financial services, of 28 November 2008.

Investigation of our 26 complaints against 18 Member States for discriminatory treatment of IORPs continued throughout 2008:

- 6 May 2008: the EU Commission announced commencement of the second step of the infringement procedure (reasoned opinion) against Spain and Portugal;
- 26 June 2008: the EU Commission announced commencement of the second step of the infringement procedure (reasoned opinion) against the Czech Republic and Italy;
- 27 November 2008: the EU Commission announced its decision to refer Spain and Portugal to the European Court of Justice. This is the last step in the infringement procedure taken following failure by Portugal and Spain to comply with the EU Commission's reasoned opinions requesting them to amend their tax rules in order to put an end to the discrimination complained of.

Status complaints 27/11/2008

	Letters of formal notice	Reasoned opinions	ECJ referral	Closed
Austria				
Czech Republic	X (sent 7/05/2007)	X (sent 26/06/2008)		
Denmark	X (sent 7/05/2007)			
Estonia	X (sent 31/01/2008)			X
France				
Finland	X (sent 23/07/2007)			
Germany	X (sent 31/01/2008)			
Hungary				X
Italy	X (sent 23/07/2007)	X (sent 26/06/2008)		
Latvia				X
Lithuania	X (sent 7/05/2007)			
Netherlands	X (sent 7/05/2007)			
Poland	X (sent 7/05/2007)			
Portugal	X (sent 7/05/2007)	X (sent 6/05/2008)	X (27/11/2008)	
Slovenia	X (sent 7/05/2007)			
Spain	X (sent 7/05/2007)	X (sent 6/05/2008)	X (27/11/2008)	
Sweden	X (sent 7/05/2007)			
United Kingdom				X
	13	4	2	4

6.3 Savings Directive

At the March 2008 ECOFIN Council meeting, a number of Member States made a request to include payments to legal persons and all other types of investment income including "out payments" from genuine life assurance contracts and pension schemes.

Following this request, the Expert Group on Taxation of Savings[19], on which EFRP is represented, expressed its concern as regards the potential integration of insurance products and pension schemes into the scope of the Directive. The concern of the Expert Group was taken into account in the EU Commission's proposal to amendment this Directive, which was issued on 13 November 2008[20].

EFRP is satisfied that the Commission has rejected the inclusion of insurance products and pension schemes, arguing that, in many cases **insurance and pension contracts and schemes cannot be considered as alternatives to interest-bearing products.** This proposal is currently being discussed at Council level and we strongly hope that the Council will follow the policy line set out by the EU Commission.

19 This Expert Group was set up in 2007 with the purpose of providing advice to the Commission on appropriate amendments to the Tax Savings Directive (2003/48/EC).

20 Proposal for a Council Directive amending Directive 2003/48/EC on taxation of savings income in the form of interest payments COM(2008) 727 final 2008/0215 (CNS) of 13 November 2008.

Accounting standards

7

Accounting standards have been subject to much comment over the past year and calls to review them have never been so vociferous. The financial crisis has illustrated that, in a bear market, the “mark-to market” rule is accentuating the downward spiral and creating excessive volatility, especially in illiquid markets.

This procyclicality means that financial accounting methods and techniques are having unintended effects such as funding deficits for pension funds. For example, we do not see the need for long-term investors having to value their assets at stressed prices even if the assets are kept until maturity and are in any case realised at a fixed contractual price. EFRP has concentrated its work on IAS-19, the pension accounting standard, and IAS-39, dealing with the valuation of financial instruments.

7.1 IAS-19 Pension Accounting

The pension accounting standard, IAS-19, sets out how companies' pension arrangements need to be reflected in their books. It is often blamed for causing too much volatility in company accounts. For some pension experts, it is even the main reason why a number of employers have turned their workplace DB pension schemes into DC arrangements.

EFRP has been working on IAS-19 because its members:

- first of all, are substantial investors in European listed companies and have a legitimate interest in ensuring that pension liabilities are properly reflected in the accounts of the companies they invest in;
- are committed to good regulation designed to properly reflect DB schemes in sponsoring companies' accounts.

The **Accounting Standards Board** (ASB) opened the debate on IAS-19 in January 2008 by issuing a consultation paper addressing all kinds of fundamental questions relating to financial reporting[21]. The paper aimed to give the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) ideas on what form a new standard for pension accounting might take.

21 The ASB paper was approved by the co-coordinating Group of PAAinE, Proactive Accounting Activities in Europe, an initiative bringing together the European Financial Reporting Advisory Group (EFRAG) and national standard-setters.

In parallel with the ASB, in March 2008 the **International Accounting Standards Board** (IASB) launched a consultation to review IAS-19. Instead of following the "white sheet" approach of the ASB, the IASB proposed a number of short-term changes to the standard with the objective of having an amended standard in place by 2013.

This proposal generated profound concern on our part because it proposed new definitions for DB and DC schemes, which in our opinion spread the scope of the proposal much wider than had been announced by the IASB.

EFRP's Working Group on Accounting, chaired by Ray Martin, Director of Pensions at DHL (UK), prepared a response to both consultations.

EFRP KEY MESSAGES – ASB CONSULTATION

- Pension liabilities should not be discounted at the risk-free rate. The current AA corporate bond rate is appropriate as it reflects the fact that pension liabilities carry some risk.
- Future discretionary salary increases should no longer be included in the measurement of pension liabilities for current employees. The effect of these should nonetheless be included in the disclosures in company accounts.
- Expected returns should continue to be included in financial statements (rather than actual returns) as pension schemes invest over many decades to meet their liabilities, and returns in a single annual period are volatile and distort shareholders' expectations. Better disclosure of how expected returns are derived is a more-appropriate solution.
- Employers in industry-wide plans – such as in the Netherlands – and other multi-employer arrangements where risks are shared should continue to be exempt from the pension accounting standard.
- Pension funds need not include liabilities in their own accounts on the same basis as the sponsoring employers, as each set of accounts serves a different purpose.

EFRP KEY MESSAGES – IASB CONSULTATION

- The proposal to eliminate the corridor option is premature and should wait for the outcome of the IASB's full review of accounting for post-employment benefits.
- Valuation changes arising from immediate recognition in the balance sheet should not be taken through the profit and loss account.
- The IASB proposals on "contribution-based" promises represent a fundamental change in pension accounting and should be seen as out of scope of what is intended as an amended proposal.

7.2 IAS-39 – Financial instruments

In October 2008, EFRP participated in an informal EU Commission Working Group on IAS-39. This standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The meeting looked at how the standard had been working in the context of the financial crisis and whether there was a need to improve it. It followed the EU Commission's decision of 15 October 2008, unanimously supported by the Member States, to approve the IASB amendment to IAS 39, aiming to provide financial institutions with greater flexibility in how they value certain assets.

EFRP advocated **avoiding hasty, unilateral changes to the standard**. A due process needs to be followed to avoid recognition problems with the USA.

EFRP also pleaded for greater commitment by the EU Commission in the process of developing international accounting standards and signalled that investors would ultimately bear the costs of a stand-alone European initiative in the area of accounting standards.

CEEC Forum

8

In 2008, EFRP's initiative to give the private pension sector in the CEE region a platform to discuss common issues and exchange information and best practices focused on adoption of the euro, supervision, the pay-out phase, pension modelling and multi-funds.

8.1 The Euro adoption

New Member States are keen to enter the eurozone. It will reduce the exchange risk with other eurozone Member States and provide them with a stable monetary zone with low inflation.

The conditions for entering the eurozone are set out in the Maastricht Treaty (1992). One of the essential Treaty criteria is a budget deficit of under 3%. Pensions reform in the CEE region means that a certain percentage of social security contributions are re-routed to a private operator. Consequently, fewer contributions flow into the statutory PAYG schemes whereas current expenditures for those pensions are not simultaneously decreasing (only later will they do so). This is creating higher budget deficits, and some governments in the CEE region are keen to address this by re-opening the second private pension pillar and restoring to the first pillar contributions accountable as State budget income.

8.2 Supervision

EFRP is particularly pleased that the CEEC Forum has managed to set up a dialogue between the European supervisory body for insurance and occupational pension funds, CEIOPS, and the private pension sector of the CEE region.

At the **CEEC Forum meeting on 18 June 2008**, Csaba Varga, Director General of the Hungarian Financial Supervisory Authority (HFSA) and Member of the Managing Board of CEIOPS, explained the role of CEIOPS in shaping the regulatory environment for occupational pension institutions. CEEC Forum delegates were informed that CEIOPS members would like to ensure that, in future, the Level 3 guidance relating to occupational pensions applies not only to schemes and institutions within the scope of the IORP Directive but also to those that are outside of it. Such a policy shift would mean that the work of CEIOPS is also relevant to the CEEC pensions industry.

On 18 September 2008, the **Occupational Pension Committee (OPC) of CEIOPS** extended an invitation to Csaba Nagy, Chairman of the CEEC Forum, to come to Brighton to explain the pension systems in the CEE region. He saw scope for CEIOPS OPC to examine the CEEC's private pension systems for the following issues:

- increasing political pressure throughout the CEE region to scale back contributions to funded mandatory pension systems in order to alleviate short-term budgetary deficits;
- excessively frequent regulatory changes for pension fund management companies;
- inadequate investment restrictions in small national equity markets;
- a lack of annuity products and solvency requirements for pension providers in relation to annuity payments in the CEE region.

8.3 Pay-out phase

Of particular interest and relevance in the structural reform of CEE region pension systems is how to handle the pay-out phase. Until now, the reform has focused on the accumulation phase. Now that the first pay-outs are approaching, it emerges that insufficient attention has been paid to transformation of the individual pension savings pot into a cost-efficient, regular income stream. The CEEC Forum intensively discussed how countries can best set up a pay-out system for private pensions from scratch. There is a certain degree of urgency as, in some countries, the first mandatory funded pensions will need to be paid out in 2009.

In Brussels on 18 June 2008, Prof. Dr. Wojciech Otto, representing the Polish Ministry of Labour and Social Policy, shared the Polish experience in setting up the pay-out system for their mandatory second-pillar pension.

8.4 Pension modelling

Together with CEEC Forum delegates, EFRP assessed different options on how the two existing pension-pillar models that are currently used in the EU could be combined into one European pension-pillar structure.

EFRP is convinced that, if such an EU-27 structure, based on the current three-pillar system, is properly adjusted to reflect the specificities of the reformed pension systems in the CEE region, it will:

- offer all Member States a reference framework to position their pension system;
- facilitate analysis and communication on the different pension systems;
- facilitate transfers between funded pension systems.

	EU-15	EU-27	EU-12
PRIVATE	3rd pillar individual	3rd pillar	3rd pillar voluntary
	2nd pillar occupational	2nd pillar	2nd pillar mandatory
STATE	1st pillar - State pension		
	Social assistance programmes for the elderly		

8.5 Multi-funds

Multi-funds already exist in Hungary, Latvia, Slovakia and Estonia. In Bulgaria, multi-funds will be introduced in 2009.

Multi-funds require individual scheme members to decide on the risk level for their pension savings. The system involves many challenges for private pension providers. For instance, they have to consider how many options they provide to their members, how the default fund is structured and how scheme members are assisted in making their choices.

Supporters' Circle

9

Since 1997 the EFRP Supporters' Circle is open to companies providing professional services to private pension institutions or schemes, which:

- want certainty that a representative organisation is campaigning in Brussels for an environment that speeds up the development and coverage of workplace pensions provision in Europe;
- want to be updated on key issues affecting private pension provision in Europe;
- want to support EFRP in accomplishing its mission: *"to work for affordable, adequate and secure workplace pension provision administered through funding institutions which benefit from a European passport"*.

By joining the EFRP Supporters' Circle, our privileged partners receive the bi-monthly EFRP Newsletter. Supporters are also invited to an exclusive annual "members only" event in Brussels providing a compact, yet full, update on European pension issues (asset management, taxation, social protection, supervision, etc.).

In 2008, the Supporters' Circle meeting looked at:

- *Priorities of the next Commission in the financial services area* – Mr. Martin Merlin, Head of Unit, DG MARKT – Financial Services Policy;

- *Future of Lamfalussy structure* – Mr. Freddy Van den Spiegel, Chief Economist – Director Public Affairs – Fortis;

- *Pan-European pension funds – state of play* – Mr. Paul Kelly, Senior Consultant – Towers Perrin Global Consulting Group;

- *IORP Directive implementation and the announced EU Commission consultation on the solvency regime for IORPs* – Mr. Erich Eggenhofer, Administrator DG MARKT – Insurance and Pensions Unit;

- *VAT Exemptions for financial services – proposed Directive* – Mr. Piet Battiau, Head of Public Policy Tax and Regulatory Affairs – KBC;

- *The EU social dimension and private pensions* – Mr. Georg Fischer, Head of Unit, DG EMPL – Social Protection – Social Services.

MEMBERSHIP – SUPPORTERS' CIRCLE[22]

Bank of New York Mellon

Blackrock Investment Management (UK) Ltd

Capital Group International S.A.

Fidelity Institutional Asset Management

Fortis Bank NL

Goldman Sachs International

Linklaters

KPMG

Maleki Group

Mercer

Northern Trust Management Services Ltd

OYAK (Turkish Armed Forces Pension Fund)

PricewaterhouseCoopers Accountants N.V.

State Street Bank GmbH

Towers Perrin

22 Membership period 1/1/2008-31/12/2008.

Statistics

10

The financial crisis has made that the 2007 statistical survey, conducted in 2008 among EFRP Members, has become outdated before publication.

EFRP has consulted its Membership in March 2009 to estimate the first effects of the financial crisis on the assets of the pension funds. The first results of this survey confirm that despite there has been a significant drop in pension funds assets, pension funds have not come under the same kind of stress as other financial institutions. We estimate that pension funds assets have fallen on average by 15-20% year to year end of 2008. Similar estimates have been published by the OECD.

1. Methodology

The EFRP statistical survey is structured to reflect the diversity of the European landscape for workplace pensions. To reflect reality, a distinction is made between mandatory from voluntary privately managed pension arrangements which are accessed through paid work (2nd pillar in EFRP terminology)

- **"Mandatory"** schemes linked to paid work are defined as private pension arrangements for which the "product characteristics" are set in the national statutory law.
- **"Voluntary"** schemes linked to paid work are defined as private pension arrangements for which the "product characteristics" are negotiated by social partners or at company level within a legally defined framework.

2. Workplace pension provision – mandatory schemes

The value of mandatory private pension arrangements is estimated end 2007 at **€ 293,60 bn**. From our March 2009 survey we conclude that mandatory pension funds assets have dropped only 10% in 2008 and stands end 2008 at € 265 bn. This is due to their investment profile by which they allocate their assets primarily in fixed income and domestic currency.

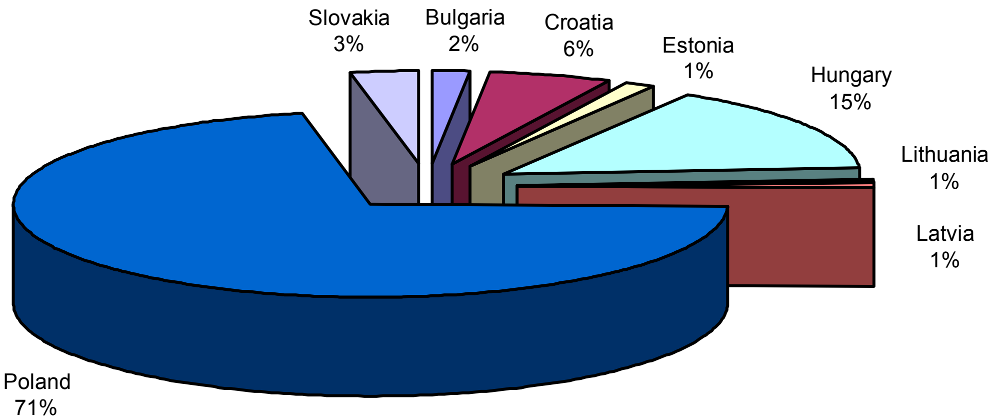
The bulk of the mandatory pension funds assets **€ 222,60 bn** is held in EU-15 Member States:

- Denmark: ATP Lifelong Pension and the Special Pension Savings Schemes (SP) **= € 59,40 bn**
- Finland: TEL system, mainly operated by insurance companies (93% of the market) **= € 122,40 bn**
- Portugal: banking sector contribute to a privately organised fully-funded pension scheme instead of the state PAYG system **= € 10,80 € bn**
- Sweden: premium pension system **= € 30,00 bn**

The remaining € 71,00 bn is in held in:

- Iceland: pension funds **= € 19,36 bn**
- CEEC region **= € 51,64 bn**

The **geographical split** of the assets in the CEE region is as follows



(million €)	2007	2008
Bulgaria	844,11	930,41
Croatia	2.867,00	2.867,00
Estonia	700,00	730,00
Hungary	7.870,00	7.149,33
Latvia	342,98	662,53
Lithuania	488,93	488,93
Poland	37.000,00	33.137,16
Slovakia	1.518,63	1.518,63
Romania		208,7
	51.631,65	**47.692,69**

3. Workplace pension provision – voluntary schemes

At the end of 2007, the value of voluntary funded pension arrangements accessed through paid work is estimated at € 4.302 bn

According as to how the 2nd pillar pension market is organised and structured in the Member States, several vehicles are used: pension funds, book reserves and life insurance companies

At the end of 2007:

€ 3.094 bn was managed by pension funds

€ 289,0 bn was managed by book reserve systems

€ 888,0 bn was managed by life insurance companies[23]

bn. €	sector		Pension Funds		Group-insurance		book reserves	
	2006	2007	2006	2007	2006	2007	2006	2007
Austria	23,040	23,500	12,5600	13,0000	1,3000	1,3000	9,1800	9,2000
Belgium	48,890	50,900	14,2000	14,9000	34,6900	36,0000		
Denmark	165,700	185,100	59,7000	61,1000	106,0000	124,000		
Finland	19,530	20,4000	5,5300	5,9000	14,0000	14,5000		
France	150,000	154,000						
Germany	416,300	428,700	135,2000	139,2	47,0000	48,41	234,10	241,09
Ireland	78,930	86,600	78,9300	86,6000				
Italy	51,480	57,769	43,2900	48,4620	3,6400	5,7900	4,5500	3,5170
Netherlands	780,000	853,000	690,0000	763,0000	90,0000			
Portugal	8,690	8,346	8,6900	8,3469				
Spain	98,320	51,430	55,8000	58,929	31,0200		11,5000	20,2700
Sweden	160,480	165,000	12,4600	12,820	133,0800	137,072	14,9400	15,1000
United Kingdom	1.557,000	1.490,000	1.423,000	1.490,000	134,0000			
Total (EU-15)	3.558,3600	3.633,534	2.539,36	2.702.258			274,27	289,17
Iceland	1,620	1,668	1,6200	1,668				
Norway	98,000	100,940	23,0000	23,690	75,0000	77,250		
Switzeland	549,740	566,191	355,850	366,525	193,8900	199,666		
Total	**4.207,7200**	**4.302,469**	**2.919,83**	**3.094,139**			**274,27**	**289,17**

blue: estimate
vehicle not used in Member State

23 This figure is likely to be under-estimated as not all EFRP Members were able to report or estimate the assets held by life Insurance companies for future workplace pension payments, nor is there aggregate data available at EU level on assets held by life insurers to back workplace pensions.

Institutional presence and public platforms

11

11.1 Institutional presence

EFRP is represented on the following consultative/advisory bodies:

11.1.1 European Commission Pensions Forum

The EU Commission Pensions Forum is made up of representatives of Member State governments, the social partners and other bodies active in the pension industry. The Pension Forum is a Community-level platform for exchanging information on pension matters.

EFRP was represented in 2008 by:

- Mr. Jaap Maassen, Chairman EFRP
- Ms. Chris Verhaegen, Secretary-General EFRP
- Dr. Withold Galinat, BASF Pensionskasse – DE

11.1.2 CEIOPS Consultative Panel

CEIOPS is an institutionalised network of Member State supervisors of insurance and occupational pensions.

The CEIOPS Consultative Panel assists CEIOPS in carrying out its functions and, in particular, in ensuring adequate stakeholder consultation.

EFRP was represented in 2008 by:

- Mr. Jaap Maassen, Chairman EFRP
- Mr. Chris Hitchen, Chairman NAPF – UK

A key role is played by its Occupational Pension Committee (OPC), which has been chaired since 2007 by Mr. Tony Hobman, Chief Executive of the UK Pensions Regulator.

It seeks to develop a common understanding of the IORP Directive and is also tasked with creating the conditions for unproblematic cross-border membership.

11.1.3 European Parliamentary Pension Forum (EPPF)

The objective of the EPPF is to provide a platform for dialogue between the European Parliament and the pension industry community. Its primary aim is to disseminate knowledge in order to promote an informed debate on pension policy within the European Parliament. EFRP is a member of the Steering Committee co-chaired by MEPs Ms. Ieke van den Burg and Mr. Othmar Karas.

11.1.4 European Parliamentary Financial Services Forum (EPFSF) The EPFSF facilitates discussion between the European Parliament and the financial services industry. It provides briefing papers on round table events on relevant and topical cross-sectoral issues. EFRP is a member of the Financial Industry Committee, which is chaired by Mr. Guido Ravoet of the EBF (European Banking Federation).

11.1.5 OECD Working Party on Private Pensions

Over the years, EFRP has developed excellent relations with the OECD. Although the OECD produces mostly non-binding guidelines and recommendations, its work influences EU and Member State policy-making. EFRP sits with observer status in the Working Group on Private Pensions and in the Taskforce on Private Pension Statistics.

11.1.6 IOPS (International Organisation of Pension Supervisors)

IOPS is the OECD supervisory structure (CEIOPS is the equivalent structure at an EU level). The main goal of IOPS is to identify good practice in the field of private pension supervision. IOPS has around 60 members-supervisors, and observers representing approximately 50 countries and territories worldwide. EFRP has observer status within IOPS.

11.1.7 EC Expert Group on Taxation of Savings

EFRP is represented in the European Commission Expert Group on Taxation of Savings by Mr. Leo BESSEMS, Manager Legal and Tax, APG.

The Expert Group is examinging the operation of the “Savings Directive” and is giving advice to the Commission on possible amendments to it.

11.2 Public platforms

EFRP is keen to advance the debate on private pensions in Europe. We believe it is essential that the latest policy developments and industry solutions affecting workplace pensions should have been well debated and be clearly understood.

EFRP key people addressed over 14 conferences across Europe to speak on pensions policy. At international level, an EFRP delegation attended in Lima the General Assembly of FIAP (International Federation of Pension Fund Administrators) together with their annual conference on the future of pensions.

On 18 November 2008, as part of Euro-Finance Week, EFRP organised a second European Pension Funds Congress together with the Maleki Group. With 25 speakers and more than 150 in attendance, the congress continues to grow in size and stature. Topics for discussion included moving DC workplace pensions forward in Europe, changes triggered by the IORP Directive and market turbulence and pension solidity. The conference concluded in a session with Brussels representatives from the banking, insurance, pensions and fund industries on the priorities for the next EU Commission.

For your calendar:
On 17 November 2009, EFRP will host the 4th European Pension Funds Congress in Frankfurt.

Topics to be discussed will be:

- DC pensions
- Workplace pensions in 2020
- Sustainable, socially responsible investments
- Pension-fund governance

EFRP's organisation

12

12.1 Board of Directors

Mr. Angel MARTINEZ-ALDAMA – Chairman
Director General INVERCO

Mr. Jaap MAASSEN (NL) – First Vice-Chairman
Senior Vice-President International APG

Mr. Christian BÖHM (AT) – Second Vice-Chairman
CEO APK-Pensionskasse AG

Mr. Pierre BOLLON (FR)
Director General AFG

Mr. Patrick BURKE (IE)
Chairman IAPF

Prof. Marcello MESSORI (IT)
Chairman Assogestioni

Ms. Joanne SEGARS (UK)
Chief Executive NAPF

Mr. Klaus STIEFERMANN (DE)
Managing Director aba

CEEC Forum representation
Mr. Csaba NAGY (HU)
Chairman Stabilitas

12.2 Member Associations

12.2.1 European Union

AUSTRIA

Fachverband der Pensionskassen

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fvpk@wko.at
www.pensionskassen.at

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IRELAND

Irish Association of Pension Funds – IAPF
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00198 Rome (RM)
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casetti@cooperlavoro.it
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Assogestioni
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Società per lo sviluppo del mercato dei Fondi Pensione – MEFOP
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Stichting voor Ondernemingspensioenfondsen – OPF
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Vereniging van Bedrijfstakpensioenfondsen – VB
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PORTUGAL

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Asociación de Instituciones de Inversión Colectiva y Fondos de Pensiones – INVERCO
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Association of British Insurers – ABI
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12.2.2 Non-EU Member Associations

CROATIA[24]

Association of Croatian Pension Funds Management Companies and Pension Insurance Companies

Ms. Mirjana KOVAČIĆ
Croatian Chamber of Economy
Banking and Finance Department
Rooseveltov trg 2
10000 Zagreb
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mkovacic1@hgk.hr

GUERNSEY[25]

Guernsey Association of Pension Funds

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St. Peter Port, Guernsey
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ICELAND[26]

Landssamtok Lífeyrissjóda

Mr. Thorgeir EYJOLFSSON
c/o Lifeyrissjodur Verzlunarmanna
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thorgeir@live.is

NORWAY

Pensjonskasseforeningenes Fellessekretariat

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0212 Oslo
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rolf.skomsvold@pensjonskasser.no
www.pensjonskasser.no

24 Observer status
25 Observer status
26 Observer status..

SWITZERLAND

Association Suisse des Institutions de Prévoyance – ASIP
Schweizerischer Pensionskassenverband
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Kreuzstrasse 26
8008 Zürich
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12.4 CEEC Forum

Mr. Csaba NAGY (HU) - Chairman
Chairman Stabilitas

BULGARIA[27]

Bulgarian Association of Supplementary Pension Security Companies – BASPSC
Mr. Nikola ABADJIEV
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ESTONIA

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27 Observer status

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LATVIA

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LITHUANIA

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12.4 Secretariat

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28 On secondment from APG.
29 As from 1/02/2009.

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