Annual Report

European Federation
for Retirement Provision

EFRP 2009

EFRP 2009

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April 2010

Contents

Introductory words

Reflecting on how 2009 could enter the European history books, a large majority of all those involved in the financial services sector definitely would argue that the political decision to overhaul the supervisory structure for all financial institutions will be the event to remember.

Indeed keeping pace with **supervisory reform process** has absorbed a huge amount of our resources. EFRP had to participate to the debate of reforming the Committee of European Insurance and Occupational Pension Supervisors (CEIOPS) into a European Authority for Insurance and Occupational Pensions (EIOPA) to ensure that the powers of the new Authority would be appropriate for the tasks delegated to them. Also, our efforts are focused on bringing the difference between workplace pensions and insurance activities to the statute book.

Apart from supervisory reform, the EFRP had to take up the proposal for an **Alternative Investment Fund Managers Directive** (AIFMD) as many policymakers saw EFRP as an unbiased source of information being part of the **institutional buy side** on financial markets. Having in mind the announced review of many financial services Directives, EFRP increasingly will have to take up this job in the coming years to ensure that professional investors, such as pension institutions, continue to benefit from flexibility of investing in all kind of financial instruments in order to optimize the returns of the pension savings.

Some critical **pension institution's related issues** marked the 2009 agenda. Among them was the issue whether IORPs should have the same or similar solvency rules as those of Solvency II for insurers. Therefore, the Commission on 27 May 2009 took views from interested parties at the **Open Hearing on Solvency Rules for some specific IORPs**. EFRP called for a diversified and more long-term approach in determining security measures for pension institutions. The Federation believes that security cannot be looked at in isolation and that adequacy and sustainability of pension systems are equally important.

The new Commission provided EFRP the opportunity to draw the attention of the President of the European Commission, Mr. José Manuel BARROSO, to the pensions challenge, recommending him to opt for a **holistic approach as to pension policy**. Such an approach should avoid that fragmented policy initiatives have unintended or even disruptive consequences on existing workplace pension systems.

Interestingly, Mr. BARROSO defended such a policy approach in the European Parliament in September 2009 and called upon his Commissioner for Employment, Social Affairs and Equal Opportunities, Mr. Laszlo ANDOR to work with other Commissioners on proposals to secure Europe's pension system. It was also encouraging for EFRP to read in the President's Political Guidelines that **pension funds are an important part of the financial system** and that the crisis had shown the importance of the **interdependence of the various pension pillars in the Member States**.

The latter message echoed EFRP's long-standing call to the Commission to reflect on a **pension structure for Europe** in which all Member States can position their own pension system, yet providing a well defined framework to move the pension debate forward at European level. We believe one cannot discuss about private pension issues at European level without taking into account the Member States' state provided – and assimilated – pensions.

Throughout 2010, priority will be given to the announced **Green Paper on Pensions.** This Green Paper may be seen as a clear signal that Europe wants to have a serious debate on the pension challenges also at Member State level.

All of them are coping with budgetary constraints, if not deficits. All of them are struggling with the impact of increasing longevity on their State provided pensions. EFRP welcomes this debate and stands ready to bring in the views of pension providers that withstood the financial storm fairly well.

Geert NOELS, Author of ECONOSHOCK setting out his views on the economic recovery and the role of pension institutions in the economy on 26 May 2009 in Brussels.

Looking ahead to 2010

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The BARROSO II Commission has set forward an ambitious work programme for private pension stakeholders. The announced **Green Paper on Pensions** will of course attract most of our attention. For our Member Associations, it will be an opportunity to express their views on how they can contribute to make Europe's pension systems secure, adequate and sustainable. We expect the Green Paper also to be the first step in the review process of the **IORP Directive**. Yet, before we embark on a review of such an important piece of legislation, we believe there is a need for a better understanding of the different pension systems in all 27 Member States. Its review will have to reconsider its scope due not only to enlargement but also to developments at Member State level.

Right from the start, Commissioner BARNIER has put **corporate governance** on the European agenda. Pension institutions, being important shareholders, are expected to explain their engagement in companies and to illustrate how social and environmental investments are becoming regular for European pension institutions.

In the European Parliament we will follow with special interest the activities of the Committee on Financial, Economic and Social Crisis, **CRIS Committee**, chaired by Mr. Wolf KLINZ - MEP. This special Committee is tasked with the analysis and evaluation of the financial and economic crisis and its impact, including social impact on the EU and the Member States.

EFRP will of course follow-up the negotiations on the **EIOPA**, European Insurance and Occupational Pensions Authority, in the European Parliament and Council. We believe that the functionality of EIOPA will be better served by two **Stakeholders Groups**, respectively on “Insurance” and on “Occupational Pensions”.

We are also looking forward to continue our work on **DC pension provision**. An EFRP survey found that DC pension provision is becoming mainstream in Europe. Therefore, DC pensions systems will attract more policy attention. In future years European citizens will retire as DC pensioners. They will have to take up much more responsibility for their retirement income planning than in the past.

This does not mean that **DB pension systems** will be disregarded. They are equally important and we need to make sure that existing DB schemes can continue to work in as best conditions possible so that they can remain open for new Members. In the DB area, the announced review of the **IAS 19 Accounting Standard** could be an important piece to consider over 2010.

From left to right: Sander Paul VAN TONGEREN of APG, Marcus SCHULMERICH of StateStreet, Heribert KARCH of MetallRente, Olivier BONNET of the French ERAFP and Julie HENDERSON of IPE debating social and responsible investments.

Workplace pensions beyond the crisis

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The collapse of Lehman Brothers in September 2008 brought the financial system and the economy on the verge of collapsing. Fortunately, over one year later the picture looks much rosier. The financial markets recovered part of their losses. After contracting for five consecutive quarters, the European economy managed to show some moderate growth in third and fourth quarter of 2009.

As Europe is climbing out of the recession, the time has come to shift attention to **enhancing long-term growth**. This would contribute to solving the enormous budgetary challenges and sustaining state provisions for health care, long-term care and pensions. It would also benefit plan members of workplace pensions by stimulating investment returns and reducing spells of unemployment in which people do not accrue pensions, or to a lesser extend.

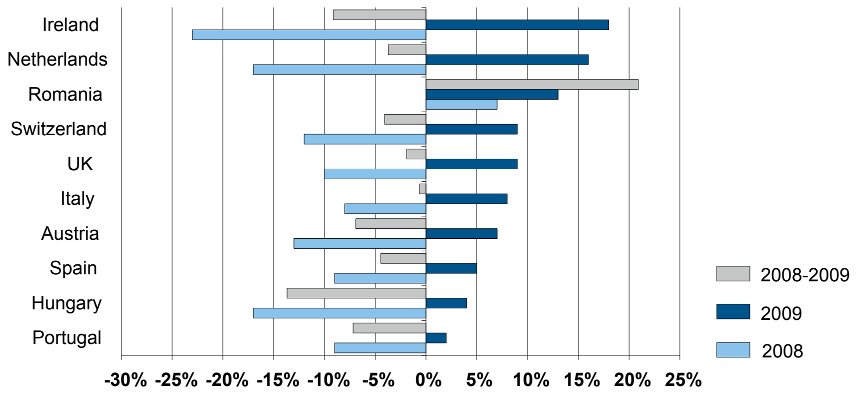
Governments should start consolidating public finances and reduce the mountain of public debt, while the ECB should reverse its expansionary monetary stance. Lower levels of debt and money supply are essential to prevent a run-up of inflation, which would erode the real value of capital accumulated in workplace pension schemes.

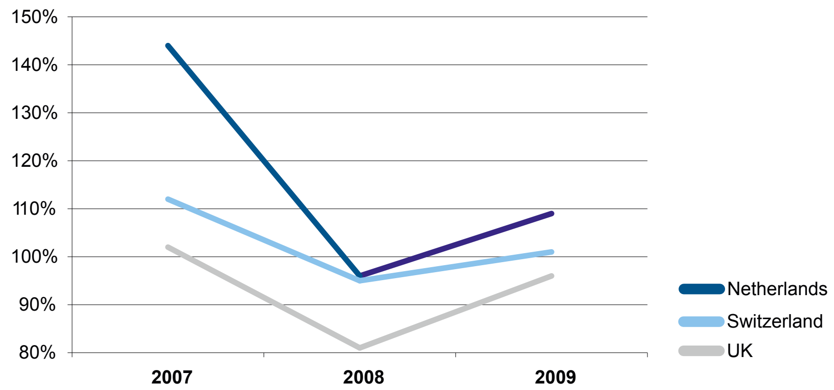
2.1 Workplace pensions recover

Workplace pensions have weathered the financial crisis without state aid. Nevertheless, the turmoil has negatively impacted the values of individual accounts in DC schemes and funding ratios of DB plans. Workplace pension schemes in most countries had to endure negative investment returns in 2008 ranging from -10% to -20%.

Global stock markets managed to recover partly from the impressive losses incurred up to March 2009. Pension institutions were able to take advantage of the rebound in asset prices. Year-to-date returns up to the third quarter have been positive in all countries, ranging from 2% in Portugal to 20% in Ireland. Still, cumulated returns over 2008-2009 remain negative for all countries except Romania.

Investment returns and funding ratios of workplace pensions, 2007-2009





The recovery of financial markets means that capital values in **DC schemes** have regained some of the lost ground. In pure DC schemes retirement income of plan members fully depends on accumulated investment returns. However, it should be noted that many DC schemes in Europe are designed as to reduce the members' risk exposure. Examples are: minimum return guarantees, or, life-cycle approach by reducing equity risk exposure as members get closer to retirement, or cash balance plans in which scheme members earn each year a fixed rate of return.

In **DB schemes** the link between investment returns and pension outcomes is less direct. The impact of the crisis is shared with future generations by smoothing the resulting shortfalls over time ('intergenerational solidarity'). The positive investment returns did improve funding ratios of DB schemes in the Netherlands, Switzerland and the UK - Europe's largest DB markets.

The **low interest rate environment** remained a cause for concern by translating into high levels of liabilities. Long-term interest rates have remained subdued due to the expansionary monetary policy. In 2009 European banks have been hoarding government bonds financed by cheap ECB loans. The Bank of England was even directly buying up UK gilts by pursuing a policy of quantitative easing.

THE ECONOMIC CRISIS AND PENSIONS IN THE EU[1]

The report puts forward a number of explanations why pension institutions have been more resilient to the crisis than other financial institutions, like banks and insurers:

- ”Much of pension funds’ liabilities are very long term [..].”
- “So assets held in pension funds today may relate to a liability (promise to pay a pension) several decades away.”
- “Hence pension funds take a very long term approach to much of their investment portfolio and they can afford to ride out even severe market turbulence [..].”
- “We have no evidence that pension funds have significant direct investments in the kind of toxic assets that have caused problems for banks and others.”
- “Pension funds invest their own money only, so they are not geared. In other words they do not borrow money to invest alongside their own money in order to magnify gains (and if things go wrong, losses) as many other financial institutions [..].”
- “So pension funds do not have loans to repay or refinance and so they do not rely on the availability of credit, unlike banks and others [..].”
- “This means pension funds are not forced sellers of assets (i.e. they do not have to sell assets at the bottom of the market in order to pay debts that have fallen due).”

2.2 Learning from the crisis

Governments and supervisors demonstrated flexibility by helping pension institutions to absorb the fall in asset prices and preventing a pro-cyclical impact on the economy. In Ireland, the Netherlands and the UK recovery periods were extended to avert steep increases in contribution rates or reductions in accrued pension rights. Finland introduced emergency legislation to reduce solvency requirements for pension institutions managing statutory pension schemes. The Swiss government reduced the minimum interest rate to be provided by pension institutions from 2.75% to 2%. The decision to reduce the conversion rate at retirement from 6.8% to 6.4% was rejected by referendum in March 2010.

1 European Commission MEMO/09/99 – 6 March 2009

In many Member States committees were established to learn the lessons from the crisis. In Austria a reform committee made recommendations to strengthen the system of Pensionskassen. In Finland the government set up working groups to assess the need to change legislation concerning statutory pension schemes. The Dutch government instated as many as three committees to evaluate investment policy of pension institutions, the future of second pillar pensions and the supervisory regime. The parliamentary Commission for the Toledo Pact in Spain continued assessing the sustainability of the public pay-as-you-go system, but may also come forward with recommendations concerning workplace pension schemes. The same is true for the interim social dialogue in 2010 scheduled by the French government ('Rendez-vous 2010').

After having issued a Green Paper in 2007, the Irish government was expected to publish a National Pensions Framework by the end of 2009, but the document was released in March 2010. It announced the introduction of auto-enrolment of workers over 22 with contributions amounting to 8% of wages: 4% employee, 2% employer and 2% government contributions in the form of tax relief. The plans are similar to the UK pension reform that will automatically enrol employees into workplace pension schemes or into the new Personal Accounts Scheme as from 2012.

In the **Central and Eastern European** Member States adjustments continued to be made to the design of the mandatory private pension pillar. Romania decided to introduce minimum return guarantees related to the average market performance and legislation to regulate the pay-out phase is expected to be adopted in 2010. Hungary will impose a minimum real return guarantee as from 2010 and maximum management fees will gradually be lowered to from 0.8% to 0.4% of assets in 2014. The Hungarian government also allowed participants in the mandatory pillar over 52 years of age to transfer back to the pay-as-you-go system before 31 December 2009.

Many governments in the CEE-region have **reduced contributions to the mandatory second pillar in response to the crisis**. Lower contributions may resolve budgetary problems in the short-term, but they threaten the long-term sustainability of public finances. The Baltic countries drastically reduced or halted contributions to the mandatory pillar and Romania froze the legislated increase from 2% to 2.5%. Under pressure from international organisations, contribution rates are expected to be (partly) restored to their original levels in the coming years.

2.3 Challenges ahead

The coming years Europe faces the enormous challenge of providing its citizens with adequate and sustainable retirement income. Public pay-as-you-go schemes are becoming increasingly hard to afford due to population ageing. And on top of that, the financial crisis has induced a stark deterioration of public finances. In 2009 the European Commission published two extensive reports that outline this tremendous budgetary challenge:

- On 29 April 2009 the **2009 Ageing Report** was published.[2] The report analyses the long-term impact of population ageing on government outlays. Age-related expenditure on health care, long-term care and pensions is expected to increase by almost 5% GDP until 2060. Despite the overall rise in pension expenditure, public pension replacement rates are expected to fall by 20% in the EU-27.
- On 17 September 2009 the **Sustainability Report 2009** was published.[3] It combines the expenditure outcomes of the Ageing Report with projections of tax income to assess the development of budget balances and public debt. The main conclusion is that governments in the EU-27 need to cut between 2011 and 2015 expenditure by 6.5% GDP (EUR 800 billion) to attain sustainable finances.

State provided pension benefits are set to decline and it is very likely that governments will decide on additional pension reforms. This means higher private pension savings will be essential to maintain people's living standards during retirement and to avert the risk of old-age poverty. Workplace pension schemes are able to provide retirement income in an effective and efficient manner. However, right now only 40% of workers are covered by work-related supplementary pension arrangements. Hence, after the crisis, government policies should be aimed at increasing participation as well as contributions in workplace pensions.

2 European Commission, 2009 Ageing Report – Economic and budgetary projections for the EU-27 Member States (2008-2060), European Economy 2, April 2009.

3 European Commission, Sustainability Report 2009, European Economy 9, September 2009.

From left to right: Eddy WYMEERSCH, Chair of CESR, Karel VAN HULLE Head of Unit Insurance and Pensions of the European Commission, Chris VERHAEGEN and Willem HANDELS of Shell at the CEIOPS and European Pension Funds Executive Dinner on 17 November 2009 in Frankfurt.

Current IORP environment

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The IORP Directive (2003/41/EC) provides pension institutions with a European set of prudential and governance rules. It also provides them with a passport to provide services across Europe.

The call for **less pro-cyclical capital requirements** has never been as present as in 2009. For many financial services experts, the financial and economic crisis had questioned the adequacy of the capital requirements of many financial institutions, assessing them as too pro-cyclical. Already in 2006 EFRP warned for the negative consequences of pro-cyclical and short-term based capital requirements, such as proposed, in our opinion, under the Solvency II framework.

We are happy that **European Parliament and Council agreed to leave out IORPs of the scope of the Solvency II Directive** and amended the IORP Directive to do away with the previous link in the IORP Directive to the capital requirements for insurers (Art. 17.2 of the IORP Directive). In this way IORPs have now a **standalone prudential framework** which is the ground work from which a review can start with the aim of having adequate, secure and sustainable workplace pension provision in the Member States.

3.1. Open Hearing on solvency rules for some specific IORPs

On 27 May 2010 an EFRP delegation consisting of Mr. Angel MARTINEZ-ALDAMA – Chairman, Chris VERHAEGEN – Secretary General and Wil BECKERS – Chairman of the EFRP Working Group Funding & Solvency, took the floor at the Commission Open Hearing on the solvency rules for some specific IORPs[4]. The meeting followed the Commission consultation on that issue and according to EFRP it illustrated that Member States with well established occupational pension schemes (IE, NL, UK), social partners as well as the wider business community strongly supported the EFRP view that a **revision of the IORP Directive was not topical at that point of time** nor that further harmonisation of prudential rules for IORPs was the route to follow.

4 IORPs subject to Article 17 of the IORP Directive (those IORPs where the IORP itself and not the sponsoring undertaking underwrites the liability to cover against biometric risk, or guarantees a given investment performance or a given level of benefits) and cross-border IORPs.

EFRP KEY MESSAGES
EC OPEN HEARING - 27 MAY 2009

- The financial crisis has illustrated that the IORP Directive provided a satisfactory prudential framework. IORPs have continued to invest and to pay-out pensions without governments bailing them out.
- No financial institution can deliver a watertight guarantee.
- Existing flexibility in the implementation and interpretation of the IORP Directive should be considered as a strength as it allows Member States to apply the Directive in the way best suited to meet national circumstances.
- Any new approach to the capital requirements for IORPs need to start from a clean sheet rather than attempting to modify or calibrate the Solvency II provisions to IORP characteristics.
- IORPs and insurance undertakings are not operating on the same playing field or same market. To be considered as competing on the same market pension schemes offered by IORPs would have to be substitutable to pension products offered by insurance undertakings in the eyes of the employers and or sponsoring companies.
- IORPs are solely active as providers of workplace retirement provision.
- Asymmetric rules between IORPs and insurance undertakings are not per se bad, or unfair, nor do they cause a market failure or favour inefficiency. These differences make sense given the governance and structure of IORPs as targeted vehicles to implement Member States social policy.
- Legislative stability is necessary for IORPs to further develop cross-border pension provision.
- No evidence of regulatory arbitrage or supervisory competition has been found.

3.2. Key aspects of the IORP Directive

On 30 April 2010 the Commission published a report[5] to fulfill the reporting requirements as set out in the IORP Directive[6] on the rules regarding the calculation of technical provisions, on the application of investment rules, the progress achieved in the adoption of national supervisory systems and cross-border custodianship. The report was mainly based on the work of CEIOPS-OPC on the implementation of the IORP Directive[7] as well as on the report of the CEIOPS OPC sub-committee on solvency[8].

The report put forward a number of important messages such as:

- More time is needed for the full effects of the Directive to unfold;
- IORP Directive has already delivered first results in the establishment of an internal market for occupational retirement provision;
- The Commission's commitment to correct implementation of the IORP Directive.

3.3. Budapest Protocol

On 30 October 2009 a reviewed Protocol – also known as the Budapest Protocol - came into force between Occupational Pension Supervisors. The reviewed Protocol includes a section to deal with complaints from members and beneficiaries of pension schemes operated by IORPs engaging in cross-border activity. Furthermore, it extended in some specific cases the exchange of information during the notification process and upgraded the cooperation among supervisory authorities to the case an IORP is outsourcing a function to an institution established in another Member State even if it does not imply any cross border activity.

3.4. CEIOPS study work on IORPs

Despite the Solvency II workload, the CEIOPS and especially its Occupational Pension Committee, chaired by Mr. Tony HOBMAN[9], Chief Executive of the Pensions Regulator (UK) and Mr. Brendan KENNEDY[10], Chief Executive of the PensionsBoard (IE), produced a number of interesting reports and surveys on supervisory issues for workplace pension provision.

5 COM(2009) 203 – 30 April 2009
6 Articles 15(6), 21(4)(a) and 21(4)(b) of the IORP Directive
7 CEIOPS-OP-03-08, Initial review of key aspects of the implementation of the IORP Directive, 31 March 2008.
8 CEIOPS-OPSSC-01/08, Survey on fully funded, technical provisions and security mechanisms in the European occupational pension sector, 31 March 2008.
9 Mandate ended October 2009
10 As from November 2009

3.4.1 OPC report on risk management for IORPs

At the end of 2009, the CEIOPS published a report on risk management for IORPs[11]. The report maps out the existing risk management systems for IORPs in the Member States. It thereby provides an interesting approach to categorise IORPs in clusters based on the risk bearing characteristics of the pension deal managed by the IORP. However, EFRP found the classification was insufficiently equipped to capture the unique risk sharing processes in an IORP in the different Member States. We challenged the approach in which each risk an IORP could face would be looked at in isolation and would need to be covered by capital requirements.

For EFRP the general conclusion that "the survey revealed a wide spectrum of risk management rules and supervisory practices amongst Member States, mainly reflecting the different stages of development which derives form the varying importance attached to second pillar pensions" reflects very well the reality one should accept when working on workplace pension provision in Europe.

3.4.2 Pension Funds Guarantee Schemes

On 8 May 2010 an EFRP delegation consisting of Chris VERHAEGEN-Secretary General and Klaus STIEFERMANN – Managing Director aba and Board Member of EFRP, attended a Commission workshop on insurance guarantee schemes. One of the issues was to investigate the feasibility of introducing a guarantee regime for the occupational pension sector, if an insurance guarantee were to be established for the insurance sector. A CEIOPS survey[12] on this topic found that "convergence and harmonisation of Pension Guarantee Schemes are not possible because the occupational pension systems significantly differ between Member States and that [pension] promise is secured by different mechanisms for different Member States". This view is in line with EFRP's view and we are happy to report that at the end of June 2009 the Commission decided not to include pension schemes in the current discussion on insurance guarantee scheme.

11 CEIOPS-OP-22/09, Report on risk management rules applicable to IORPs, 6 November 2009.

12 CEIOPS-OP-30/09, Note on Member States' response to the questionnaire on pension guarantee schemes, 15 June 2009.

3.4.3 Member States' social and labour law

On 13 October 2009, CEIOPS has published an overview[13] of the legal requirements under the IORP Directive with which a "guest" IORP operating a pension scheme in a host Member State must comply. The paper provides a good overview per Member State of which rules are considered as social and labour law, investment restrictions and information requirements.

EFRP welcomes this initiative as a first step towards a more transparent list of those aspects that each Member State considers as social and labour law as referred to in the IORP Directive. Research on cross-border provision of workplace pensions has frequently listed social and labour law as a barrier for such provision.

13 CEIOPS-OP-27/09, Host Member State law applicable to Guest IORPs – survey of specific topics covered by host Member State law with which Guest IORPs operating in the host Member State must comply, 12 October 2009.

EFRP participating at a press conference organised by BusinessEurope on 25 September 2009 on financial market reform. From left to right:

Olivier BOUTELLIS-TAFT of the Federation of European Accountants, Chris VERHAEGEN, Philippe de BUCK of BusinessEurope, Guido RAVOET of the European Banking Federation and Javier ECHARRI of the European Private Equity & Venture Capital Association.

Supervisory overhaul

4

The financial crisis has illustrated shortcomings in some part of the European financial services legislation. In addition, it exposed the vulnerabilities of the European supervisory framework for credit institutions which is still to a large extent fragmented along national borders. We witnessed that such fragmentation led to:

- a lack of cooperation and information sharing between national supervisors of cross-border financial institutions;
- difficulties for host supervisors to challenge decisions of home supervisors.

Although the financial crisis did not put into question the supervision and the prudential framework for IORPs, a raft of measures announced in the Commission's March 2009 Communication "Driving European Recovery"[14] will ultimately have an impact on the IORP environment and require EFRP policy attention.

4.1 de LAROSIÈRE report

In October 2008, President José Manuel BARROSO established a High-Level Group to advice on strengthening European financial supervision. The group was chaired by former IMF president Jacques de LAROSIÈRE and consisted of seven other éminences grises from the financial sector. The de LAROSIÈRE Group did not constrain itself to European financial supervision. The report contained a comprehensive set of recommendations to strengthen financial sector regulation, governance, cross-border financial crisis management, supervision and global repair.

De LAROSIÈRE has put forward a range of proposals to correct for regulatory weaknesses and contains recommendations to enhance regulation of banks, credit rating agencies, insurance companies, investment funds, hedge funds and derivatives markets.

IORPs are basically the only financial institutions that are not mentioned in the report. In EFRP's view this means that De LAROSIÈRE rightly considered that occupational pension institutions are different from banks and insurers.

EFRP particularly welcomed that the report was critical about the International Accounting Standards Boards (IASB) and called for a **wide reflection on the mark-to-market valuation principle**.

14 COM(2009) 114 – 4 March 2009

De LAROSIÈRE did not propose a single European supervisor but came up with the pragmatic solution of **upgrading the existing Level 3 Committees**[15] by turning them into Authorities. These Authorities would be afforded additional powers, like providing for binding mediation in the event of disputes between host and home supervisors in respect of cross-border groups. The de LAROSIÈRE Group also reckoned that there is currently insufficient attention for macro-prudential risk with supervisors focussing on individual financial institutions. It therefore recommended establishing an EU-institution - under the umbrella of the ECB/ESCB - responsible for identifying systemic risk.

4.2 European Systemic Risk Board (ESRB)

The European Commission embraced the idea of an EU body responsible for the surveillance of macro-prudential stability in its programme for financial market reform. The Commission came forward with more detailed blueprints in its Communication on European financial supervision of 27 May 2009[16] and with legislative proposals on 23 September 2009[17].

The objective of the ESRB is to monitor and assess potential threats to financial stability that arise from developments in the economy and the financial system as a whole. To this end the ESRB will have access to all necessary information from the European supervisory authorities, national supervisors and national central banks.

EFRP supported the establishment of the ESRB in its responses to the public consultations of 10 March 2009 and 27 May 2009[18]. We did caution against **disproportional data demands from the ESRB**, which could especially burden small and medium sized pension funds. In the view of EFRP, the involvement of various financial institutions – including IORPs – is recommendable to capture the full picture and assessment of the conditions on financial markets.

15 For IORPs the relevant L3 Committee is CEIOPS – Committee of European Insurance and Occupational Pension Supervisors.
16 COM(2009) 252 – 27 May 2009
17 COM(2009) 499 & COM(2009)500 & COM(2009)501 & COM(2009)502 & COM(2009)503 – 23 September 2009
18 Both responses are available on www.efrp.eu

4.3 European Insurance and Occupational Pensions Authority (EIOPA)

As part of the legislative package of 23 September 2009, the European Commission proposed to afford the existing Level 3 Committees (CEBS, CEIOPS, CESR) more powers and responsibilities. The Commission proposed to upgrade them to respectively the European Banking Authority (EBA), European Insurance and Occupational Pensions Authority (EIOPA) and European Securities and Market Authority (ESMA). Most importantly, the Authorities would be able to develop **draft technical standards** and would get the power to provide **binding mediation** in the event of disputes between home and host supervisors.

EFRP feared that the specific needs of IORPs get lost in an EIOPA dominated by insurance supervisors. That is why – while commenting several proposals[19] from the Commission - EFRP supported the idea of establishing one or two EU-level authorities. However, such a move towards some kind of "European financial services supervision" was seen by many policymakers as a step too far and upgrading the existing Committees into authorities was considered as a more pragmatic approach able to obtain broad political support.

To safeguard the interests of IORPs and their plan members into the new proposed Authority EIOPA, EFRP promoted a **specific governance structure** which would ensure the new Authority to effectively be an insurance supervisory body as well as an IORP supervisory body.

Ultimately, it will be the European Parliament and the Council that have to reach agreement on the competences of the European supervisory authorities and its system of governance. The ECOFIN Council has indicated that some elements – such as the power to settle disputes between national supervisors – go too far, whereas Members of Parliament reacted that they would not allow a watering down of the Commission's proposal.

EFRP welcomed that the Council has recognized in its general approach of December 2009 the concerns of the occupational pensions community and is also proposing two **distinct Stakeholder Groups within EIOPA**.

19 COM(2009)114 – 4 March 2009

EFRP VIEWS ON GOVERNANCE MODEL EIOPA

- The Chairperson and the Executive Director should have a solid and proven track-record in supervision of occupational pension funds.
- The Board of Supervisors should have variable compositions depending on the sector being discussed as some Member States have separate supervisors for occupational pension funds and insurance.
- A specialised Committee – such as the existing OPC within CEIOPS – should be maintained and strengthened to prepare decisions regarding occupational pensions.
- Two Stakeholder Groups should be created (instead of one): one for discussing occupational pension matters and one for insurance issues

4.4 Omnibus Directive

The transformation of the supervisory committees into the new supervisory authorities requires an adjustment to many financial services directives. To this end the European Commission has issued the so-called "Omnibus Directive" proposal[20] on 26 October 2009. The proposal amends 11 financial services Directives, including the IORP Directive.

20 COM(2009)576 – 26 October 2009

PROPOSED CHANGES TO IORP DIRECTIVE (ARTICLE 4 OF THE OMNIBUS DIRECTIVE)

- Article 13 (Information to be provided to the competent authorities) is supplemented to give EIOPA the task to develop draft technical standards concerning information provided to the competent authorities.
- Article 20 (Cross-border activities) is supplemented to give EIOPA the task to draw up draft technical standards listing prudential regulations in each member state, which are not covered by national social and labour law.
- Nothing has been provided to enable the EIOPA to settle potential disagreements between national supervisors of IORPs. Hence, the procedure established in the EIOPA Directive will not be applicable to them. Provisions of the Budapest Protocol will continue to apply.

Chairman MARTINEZ-ALDAMA and Chris VERHAEGEN with from left to right Elemèr TERTAK, Director Financial Institutions of the European Commission and Jung-Duk LICHTENBERGER, Economic and Policy Desk Officer at the Insurance and Pensions Unit of the European Commission.

Financial services issues

5

In her address to the European Pension Funds Congress in Frankfurt on 17 November 2009, Ms. Sharon BOWLES, Chair of the Economic and Monetary Committee in the European Parliament, called upon the pension institutions to be the drivers of a new morality in finance by using their institutional power.

EFRP has listened very carefully to this call and found itself comforted for its choice – perhaps too timidly expressed until date – to voice opinions from the buy-side of the financial markets. We would not like to see financial services legislation or initiatives further complicate the investment process or increase the compliance costs nor would we like to see investments choice restricted to merely EU financial instruments. Ultimately, pensioners will suffer with lower pensions generated by such unhelpful developments.

5.1. Proposal for an Alternative Investment Fund Managers Directive

EFRP has closely followed the debate on the highly controversial proposal[21] for an Alternative Investment Fund Managers Directive, proposed by the Commission in April 2009 to follow-up the G20 commitments on financial sector reforms. The proposal concerned managers of hedge funds, private equity firms and other alternative investment vehicles which are currently not covered by the UCITS Directive.

IORPs as well as their management are excluded from the scope of the proposal. However, IORPs would be hit as investors in alternative investment funds. Many IORPs have invested small proportions of the pension assets in hedge funds and private equity funds as such investments contribute to the diversification of their investment portfolio and can be rewarding as to returns.

EFRP found it important to ensure that the proposed legislation would not hinder IORPs access to non-EU managers as well as to non-EU alternative investment funds. The proposed wording in the Directive related to this issue - the access of investors such as IORPs to non-EU managers as well as to non-EU alternative investment funds managed by EU or non-EU managers - was unclear. Many stakeholders including EFRP had serious doubts about these provisions and it was feared that it would close the EU market instead of facilitating its further integration.

21 COM(2009)207 - 30 April 2009

EFRP warned also that many of the proposed provisions were too strict for institutional investors. We questioned whether provisions for professional investors need to go beyond those in the UCITS Directive, which are in fact tailored to retail investors.

At the time of writing the discussions on the Proposal continue at Trialogue level (Commission, Council, and Parliament). It seems that in the coming months a compromise will be reached between the three Institutions on a still very controversial proposal for some Member States.

EFRP is satisfied that in the Spanish Presidency proposal **IORPs remain excluded from the scope of the proposal** but believes that the wording of the exclusion is still suffering from imprecise legal reference at this stage. EFRP is hopeful that this issue will be addressed at EU Parliament level.

5.2. Packaged retail investment products

In October 2009, EFRP participated in a Technical Workshop of the Commission on Packaged Retail Investment Products (PRIPs).

The PRIPs initiative aims to put in place the same disclosures and sales practices for retail financial products irrespective of the legal form of the product and the distribution channel. A crucial issue in this work stream is to properly identify the scope: i.e. to identify those financial products that fulfill the economic key features set forward by the Commission for PRIPs:

- Packaging
- Capital accumulation
- Investment risk fully or partially for investor

An open issue in the discussion on the scope of PRIPs is the **treatment of annuities and pensions**. The Commission has noted on the one side that especially third pillar pension products have characteristics which are very close to those set forward in the economic definition of PRIPs and that some annuities expose the annuitant to investment risk. But on the other side, the Commission acknowledges that the inclusion of pensions could be very difficult due the heterogeneity of pension systems and the interlinkage with social security systems.

EFRP defended that “pensions and annuities” should be out of the scope of the PRIPs because the specificities of workplace pensions require a **different approach to disclosure and distribution** rules than just retail savings products. Furthermore, occupational / workplace pensions are to a large extend regulated by social and labour law rather than the mainstream consumer protection rules designed for retail savings products. This layer of protection needs to be properly taken into account to avoid over-regulation of occupational pensions.

EFRP pleaded also for **better definitions** of the concept “pensions and annuities” in the PRIPs initiative and to exclude both 2nd and 3rd pillar pensions from this project as in general all kind of private pension plans perform a fundamentally different public policy objective than retail investment products. In our opinion different public policy objectives motivate different regulatory considerations.

5.3. Commission consultation on the UCITS depositary function

Following the Madoff fraud, which illustrated the vulnerability of outsourced depositary activities, the Commission decided in July 2009 to consult on the UCTIS depository function. It had found out that the requirements in the UCITS Directive on depositary had been implemented in diverging ways between the Member States which could weaken the trust of European savers in the UCTIS label.

EFRP submitted a response[22] to this consultation as the IORP Directive provides Member States the possibility to require pension institutions to appoint a custodian/depositary. If a custodian/depositary is appointed, it must be an institution which is accepted as depositary for the UCITS Directive, or authorized under Dir. 2000/12/EC or under Dir. 1993/22/EEC (repealed by MIFID Directive).

EFRP argued that the depository function for UCITS should not be reserved to credit institutions only. We believe that such a restriction would reduce the number of institutions active in this business and would lead to higher costs which are likely to be passed on to the depositary clients, the pension institutions. Furthermore, more concentration in the depository segment would also increase counter-party risk as each entity would assume more responsibility.

EFRP argued also for better defining the tasks a depository and defended the concept of sub-delegation.

22 Available at www.efrp.eu

Patrick BURKE, EFRP Vice-Chairman moderating at the European Pension Funds Congress in Frankfurt a session on securing pension benefits. From left to right:

Helmut ADEN of BVV Versicherungsverein des Bankgewerbes, John-Paul MARKS of The Pensions Regulator, Willem HANDELS of Shell Pensions and BusinessEurope and Jozef NIEMIEC of the European Trade Union Confederation.

Security of pension benefits

6

A key concern for EFRP is the security of pension benefits. Yet, we believe security is as important as adequacy. It does not make sense to promote security if the capital requirements drive down the amount of pension provision. EFRP believes that apart from prudential oversight, security in workplace pension provision also comes through social and labour law and governance in the pension institutions. Therefore when assessing the capital requirements for pension institutions a comprehensive approach, taking those mechanisms into account, is a must.

6.1. Protection in case of insolvency of employer

In April 2009, the Commission published a tender[23] to study the protection of supplementary pensions in case of insolvency of the employer for defined benefit and book reserve schemes. The study fits in the follow-up work of the Commission on article 8 of Directive 2008/94/EC on the protection of employees in the event of insolvency of their employer. It will map the measures in force aiming at the protection of supplementary pensions in case of insolvency of the sponsoring employer when the pension scheme is under-funded or based on book reserves. The study will also identify best practices in the protection of supplementary pensions in case of insolvency of the employer. The study has been commissioned to ESOFAC.

6.2. Governance

The governance structure of many pension institutions involves scheme members' and beneficiaries' representation, such as paritarian governance. The various governance models try to ensure that scheme members' and beneficiaries' interests come first. These governance structures distinguish IORPs from the bulk of the insurers providing workplace pension schemes.

EFRP was therefore somewhat disappointed that the Commission did not distinguish pension institutions from other financial institutions in its Recommendation on remuneration policies in the financial sector[24] and ignored the specific governance structure of IORPs in formulating these principles. In our opinion the Recommendation disregards the reality on the field: trustees or Board Members of IORPs mostly do not get a compensation at all, others are granted a fixed allowance regardless the performance of the pension institution.

23 VT 2009/033
24 C(2009)3159 – 30-04-2009

From left to right: First Vice-Chairman Christian BÖHM and Saulius RACEVICIUS of the Investment Management Companies Association of Lithuania at the Budapest CEEC Forum Conference.

Tax development

7

7.1. Dividends and interests paid to foreign pensions institutions

EFRP is happy to note progress regarding the discriminatory taxation of foreign pension institutions. Working further on the complaints lodged by EFRP and PWC in December 2005, the Commission infringement proceedings have continued bearing fruits throughout 2009:

- As from 1 January 2009, the **Czech Republic and Estonia** have amended their corporate income tax acts which have ended the discrimination.
- 13 February 2009: the **French Supreme Court** ('Conseil d'Etat') decided that the tax treatment of French dividends received by French pension institutions under domestic tax law should be extended to EU non-profit organisations of the same nature. Four Dutch pension institutions had asked for the annulment of the French Statements of Practice issued in 2005 which deny a withholding tax exemption on French source dividends to non-resident pension institutions. This decision provides crucial arguments for further litigation in France and may open new opportunities for refund claims in France. The French Government will now need to take a formal position on this. In parallel, the Commission is preparing a Reasoned Opinion against France by which it will formally ask it to change its legislation.
- 30 April 2009: the **Spanish Ministry of the Economy and Finance** issued a press release saying it is preparing amendments to the Spanish non-residents income tax act in order to end the discriminatory treatment of non-resident EU based pension institutions and that dividends and gains paid to non-resident pension institutions will be exempt from taxation. The government's announcement indicates an awareness that the Spanish legislation may be in breach of EU rules. This is a welcome new development as the Commission announced on 27 November 2008 that it had referred Spain (and also Portugal), to the European Court of Justice for its refusal to amend the legislation in line with the EC Treaty.
- 14 May 2009: the EU Commission sent a reasoned opinion to **Poland** requesting that Member State to end its discriminatory taxation of non-resident pension institutions.
- 29 October 2009: The EU Commission has opened the **second step** of the infringement procedure (reasoned opinion) against Germany.

Moreover, the **Dutch and Austrian** tax authorities have unilaterally started reimbursing dividend withholding tax claims by non-resident (EU and EEA based) pension institutions. The Dutch tax authorities have said that the decision was triggered by ECJ case law developments and decisions of the Dutch Supreme Court supporting them.

The course of events shows that an increasing number of the originally identified 18 EU Member States have either already aligned their legislation with the EC Treaty or have promised to do so, while others are still negotiating with the Commission. Those include Denmark, Finland, Germany, and Sweden. The Commission may decide to refer Italy to the ECJ, as it has already done with Portugal and Spain.

7.2. VAT

The discussion on the review of the current VAT Directive has been ongoing since 2007. The issue at stake are the **definitions of exempted financial services** and to improve legal certainty avoiding divergent interpretation and application across the EU. EFRP welcomed the revision as the current exemption for pension institutions has not been interpreted in the same way in each EU Member State. Hence, an update is indeed needed providing for a clear exemption including also outsourced services of pension institutions. As a matter of fact IORPs in the sixth VAT Directive were referred to indirectly through investment funds. This resulted from the fact that the IORP Directive had not yet been adopted. Now that IORPs at EU-level have been clearly defined and regulated as distinct financial services, they should be exempted as such.

In 2009, the reference to pension institutions was removed without justification but still remained in the secondary legislation's definitions of "insurance" and "financial deposit". The wording ignores the IORPs specificities and might be interpreted as referring to insurance and UCITS and not to "pension institutions"/IORPs.

Leaving IORPs out of the Directive – or leaving the situation unsettled, hence, unclear – would:

- contradict the principle of fiscal neutrality, on which the common system of VAT established by the proposed Directive is based, and which precludes economic operators carrying out the same transactions from being treated differently in relation to the levying of VAT;
- increase the price of old-age, and survivors' security systems;
- would disadvantage small and medium sized IORPs

7. 3. Savings Directive.

Some progress has been made in 2009 on the Proposal for Directive amending Directive 2003/48/EC on taxation of savings income in the form of interest payments. This proposal[25] has been put on the table by the European Commission on 13 November 2008 with a view to closing existing loopholes and better prevent tax evasion. The Commission proposal seeks to improve the Directive, so as to better ensure the taxation of interest payments which are channeled through intermediate tax-exempted structures. The Commission's text excludes form its scope pension contracts and schemes as they cannot be considered as alternatives to interest-bearing products. The Swedish Presidency has made that even clearer by excluding pension funds and undertakings mandated by them to manage their assets is now clearly mentioned in the proposed text[26].

25 COM(2008) 727 - 13 November 2008

26 Swedish Presidency Note Proposal for a Council Directive amending Directive 2003/48/EC on taxation of savings income in the form of interest payments, 25 November 2009, Brussels; 2008/0215 (CNS) 16473/1//09 REV 1

Georg FISCHER, Acting Director Social Protection and Head of Unit Social Protection, Social Services of the European Commission delivering the key-note speech at the CEEC Forum conference on 24 March 2009 in Budapest.

CEEC Forum

8

In 2009, 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 supported two public conferences on private pension issues in the CEE region.

The CEEC Forum is chaired by Mr. Csaba NAGY, Chairman of Stabilitas (HU) and has affiliates in Bulgaria[27], Czech Republic, Estonia, Hungary, Latvia, Lithuania, Romania and Slovakia. One of the 2009 CEEC Forum meetings was also attended by delegations from Poland, Macedonia and Ukraine.

We are happy to report that the relations with the private pension sector in the CEE region have intensified and fostered. As a commitment to that region and illustrating the strong support among the Membership to work together with the private pension systems found across the CEE Member States, the 2009 EFRP General Assembly Meetings took place in Zagreb and in Budapest.

8.1. Budapest conference

On 24 March 2009, EFRP organised a high level conference with the support of the Hungarian Financial Supervisory Authority in Budapest. The conference featured speakers from that institution as well as from the International Organisation of Pension Supervisors (IOPS) and the European Commission. Topics discussed included:

- Impact of the financial crisis
- Investment restrictions
- Supervision
- Pay-out phase

EFRP published a report summarising the conference findings entitled "Facing up the challenges" which is available on www.efrp.eu.

8.2. Sofia conference

On 18 September 2009, the CEEC Forum supported an international conference of the Bulgarian Association of Supplementary Pension Security Companies (BASPSC) on multifunds.

Multifunds is a concept where individual scheme members have to decide on the risk level for their pension savings. They exist already in Estonia, Hungary, Latvia and Slovakia and where introduced in Bulgaria in 2009.

27 Observer status

Right: Dirk POPIELAS of JP Morgan Chase, Member of the EFRP Supporter's Circle with from left to right Angel MARTINEZ-ALDAMA, Karel VAN HULLE, Head of Unit Insurance and Pensions of the European Commission and Klaus STIEFERMANN, Managing Director aba and Board Member EFRP.

Supporters' Circle

9

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

- Want certainty that a representative organization is campaigning in Brussels for an environment that speeds up the development and coverage of workplace pension provision in Europe;
- Want to be updated on key issues affecting private pension provision in Europe;
- Want to support EFRP in accomplishing its mission of "promoting good pension systems for working people across Europe".

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 scale update on European issues affecting pension institutions (asset management, taxation, fund management, supervision, shareholders engagement, etc.)

Membership Supporters' Circle[28]

- Blackrock Investment Management (UK) Ltd
- Fidelity Institutional Asset Management
- Goldman Sachs International
- Ius Laboris
- JP Morgan Chase Bank
- Linklaters
- KPMG
- Maleki Group
- Mercer
- Northern Turst Management Services Ltd
- OYAK (Turkish Armed Forces Pension Fund)
- PricewaterhouseCoopers Accountant N.V
- State Street Bank GmbH
- Towers Perrin

28 1/1/2009-31/12/2009

Statistics

10

The volatility on the financial markets, both upward and downward, poses a significant challenge for providing estimates on the assets of the different European workplace pension systems. Since the low levels of March 2009, many pension institutions have seen throughout 2009 their portfolios recovering to almost pre-crisis level. This makes that the 2008 figures collated in 2009 are quasi out of date and we estimate that on average assets under management of pension vehicles increased with 12% over 2009.

10.1. Methodology

The EFRP statistical survey is structured to reflect the diversity of the European landscape of workplace pensions. To reflect reality a distinction is made between mandatory and 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.

10.2. Workplace pension provision – mandatory schemes

Mandatory schemes are found in some EU-15 Member States[29] but these types of schemes are most found in the CEE region. Also in Iceland[30] there is a well established mandatory privately organised pension system.

29 Finland: TEL systems: mainly operated by Insurance companies
Portugal: banking sector contribute to a privately organised fully-funded pension scheme instead of the State PAYG system
Sweden: premium pension system.

30 Assets end 2008: 8,8 bn. €.

In the CEE region[31], the asset holdings in the mandatory pension systems are as follows, in million €:

	2007	2008	2009
Bulgaria	841,14	930,41	1.351,03
Croatia	2.867,00	3.127,60	3.987,20
Hungary	7.870,00	7.060,00	9.148,00
Poland	37.000,00	33.137,00	43.480,00
Slovakia	1.518,63	2.231,22	2.899,53
Romania		208,70	563,90

10.3. Workplace pension provision – voluntary schemes

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 insurance companies, in billion €.

	sector		Pension funds / IORPs		Group-insurance		Book reserves	
	2007	2008	2007	2008	2007	2008	2007	2008
Austria	32,9000	32,7000	13,0000	12,4000	1,3000	1,7000	18,6000	18,6000
Belgium	52,1478	48,0446	14,4328	12,2446	37,7150	35,8000		
Denmark	202,5330	209,2700	61,0680	59,0000	141,4650	150,2700		
Finland	20,4000		5,9000		14,5000			
France	121,4020	121,8590	1,4020*	1,8590*	*120,0000*	*120,0000*		
Germany	438,0300		151,3300		48,2000		238,5000	
Ireland	86,6000	63,5000	86,6000	63,5000				
Italy	57,7690		48,4620		5,7900		3,5170	
Netherlands	684,1380	577,5190	684,1380	577,5190				
Portugal	8,3469	5,2732	8,3469	5,2732				
Spain	76,6200	77,3400	58,9290	56,3500			20,2700	20,9900
Sweden	*165,0000*		*12,8200*		*137,0720*		*14,9400*	
United Kingdom**	1.490,0000	1.202,0000						
Norway	100,2000	108,0500	23,0000	19,8500	77,2000	88,2000		
Switzeland	454,1292		380,4700		73,6592			

*: Assets in PERCO system

**: Assets in DB schemes: 694,91bn €; Assets in DC schemes: 402,12bn €; Assets in local authority schemes: 105,1bn €

estimate

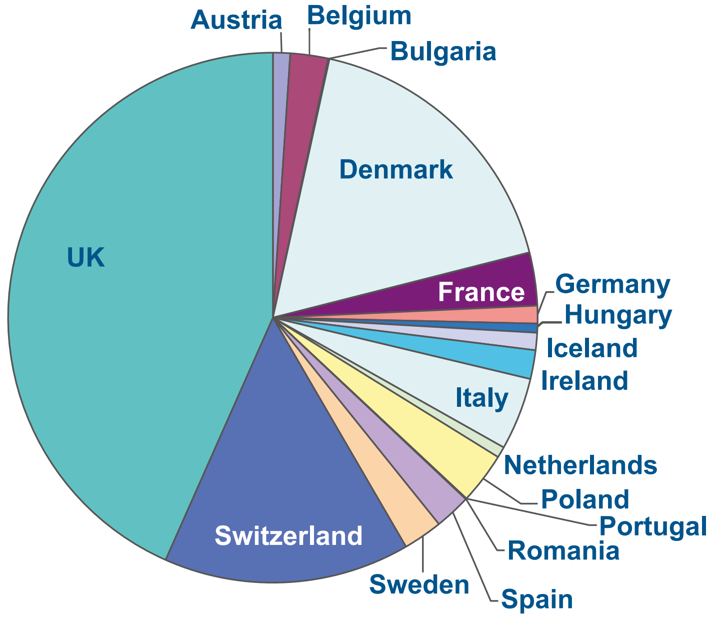
not available

vehicle not used in Member State

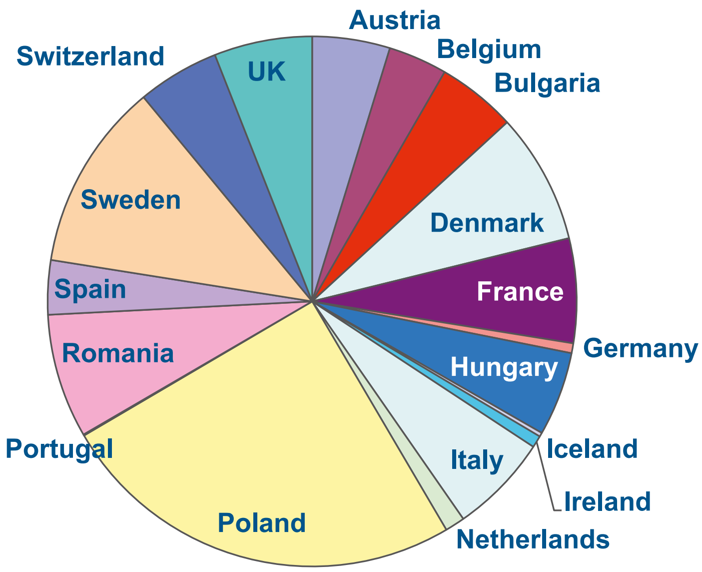
31 To observe the development of a particular market, it is advisable to use national currencies.

10.4. Statistics on DC pension provision

In November 2009 and in March 2010, EFRP presented results of its survey on defined contribution workplace pensions. The survey covered 21 European countries and provided information on 42 different DC schemes. The DC schemes in the survey represent 58 million active plan members and 1,3 trillion € in retirement savings. In terms of assets, the United Kingdom is by far the largest DC market followed by Denmark and Switzerland. However, the dominance of these three countries is likely going to disappear in the coming decades as new DC schemes are starting to mature. Already the number of active plan members is much more evenly distributed with especially Poland taking a considerable piece of the pie.



Assets of DC plans in the survey by country



Active members of DC plans in the survey by country

André LABOUL (left), Secretary General IOPS and Head of Financial Affairs Division OECD moderating a session on the pay-out phase of mandatory pension accounts at the CEEC Forum conference on 24 March 2009 in Budapest.

From left to right: Chris VERHAEGEN, Prof. Wojciech OTTO of the University of Warsaw, Mihály ERDÖS of the Hungarian Financial Supervisory Authority, Pablo ANTOLIN-NICOLAS of the OECD and Prof. Raimond MAURER of the Goethe University Frankfurt.

Institutional presence and public platforms

11

11.1. Institutional presence

EFRP is represented on the following consultative/advisory bodies:

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 2009 by:

- Mr. Angel MARTINEZ-ALDAMA, Chairman EFRP
- Ms. Chris VERHAEGEN, Secretary-General EFRP
- Dr. Withold GALINAT, BASF Pensionskasse – DE

CEIOPS Consultative Panel

CEIOPS is an institutionalised network of Member State supervisors of insurance and occupational pensions. It seeks to develop a common understanding of the IORP Directive and is also tasked with creating the conditions for unproblematic cross-border membership. A key role is played by its Occupational Pension Committee (OPC), which was chaired by Mr. Tony HOBMAN, Chief Executive the Pensions Regulator (UK). Since November 2009 the Chair passed on to Mr. Brendan KENNEDY Chief Executive of the Pensions Board (IE).

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

EFRP was represented in 2009 by:

- Mr. Jaap MAASSEN, Vice-Chairman EFRP
- Mr. Chris HITCHEN, Chairman NAPF – UK

European Parliamentary Financial Services Forum (EPFSF)

The EPFSF facilitates discussion between the European Parliament and the financial services industry. It provides briefing papers and organises round table events on topical broad-sectoral issues. EFRP is a member of the Financial Industry Committee, which is chaired by Mr. Guido RAVOET of the EBF (European Banking Federation). The Steering Committee, composed of 22 MEPs is chaired by Mr. Wolf KLINZ.

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 examining the operation of the “Savings Directive” and is giving advice to the Commission on possible amendments to it.

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.

IOPS (International Organisation of Pension Supervisors)

IOPS is the OECD level 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.

11.2. Public platforms

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

On 17 November 2009, as part of Euro-Finance Week, EFRP organised a fourth European Pension Funds Congress together with the Maleki Group. With 19 speakers and more than 100 in attendance, the congress continues to grow in size and stature. Topics for discussion included DC pension provision in Europe, securing pension benefits and social and responsible investments.

For your calendar:

On 16 November 2010, EFRP will host the 5th European Pension Funds Congress in Frankfurt.

From right to left: Chairman Angel MARTINEZ-ALDAMA, Chris VERHAEGEN and Jeroen CLICQ

EFRP organisation

12

12.1 Board of Directors

Mr. Angel MARTINEZ-ALDAMA (ES) – Chairman

Director General INVERCO

Mr. Christian BÖHM (AT) – First Vice-Chairman

CEO APK-Pensionskasse AG

Mr. Patrick BURKE (IE) – Second Vice-Chairman

Director Investment Development Irish Life Investment Managers

Mr. Pierre BOLLON (FR)

Director General AFG

Mr. Loek SIBBING (NL)

Managing Director Unilever Pension Fund Progress

Prof. Marcello MESSORI (IT)

Chairman Assogestioni[32]

Ms. Joanne SEGARS (UK)

Chief Executive NAPF

Mr. Klaus STIEFERMANN (DE)

Managing Director aba

CEEC Forum representation

Mr. Csaba NAGY (HU)

Chairman Stabilitas

32 Until 19 March 2010

12.2 Member Associations

European Union

AUSTRIA

Fachverband der Pensionskassen

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Mr. Jos VERLINDEN - Secretary General a.i.

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Pensões et Patrimónios
APFIPP
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Asociatia pentru Pensiile Administrate Privat din Romania

APAPR

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SPAIN

Asociación de Instituciones de Inversión Colectiva y Fondos de Pensiones

INVERCO

Mr. Mariano RABADAN - Chairman

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33 Observer status
34 Observer status
35 Observer status

NORWAY[36]

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36 Observer status

12.3 CEEC Forum

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38 On secondment from APG.
39 As from 01/04/2010.

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