

## EFRP views on EU pensions issues



European Parliamentary Financial Services Forum  
Chris VERHAEGEN, Secretary-General EFRP  
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### Key messages



1. Pension institutions are beginning to operate in an EU environment – the IORP Dir. must be given the time to operate and to deliver.
2. Portability Dir. as a first step should focus on creating a simple transfers mechanism – nothing else.

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## IORP Dir. implementation (1)



- Transposition has raised many questions ? the IORP Directive is not a closed issue
- Misconceptions should be challenged:
  - Identification of IORPs
  - Ring fencing
  - Prudent person rule
  - Social and labour law
  - Cross border supervision – one stop shop basis
- Each Member State's prudential framework must at least allow "export only" IORPs
- The IORP Dir. should be given the opportunity to operate and to deliver its full potential
- Role of CEIOPS

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## IORP Dir. and UCITS (2)



- The IORP Directive does not exclude other financial services providers from:
  - providing occupational pensions
  - operating under the IORP Directive as a managing entityThis is a political choice up to MS discretion
- Asset managers may:
  - directly **operate/provide** individual pensions (=3rd pillar)
  - **manage** assets of **2nd pillar** (workplace pensions) and **3rd pillar** pension institutions through mandates
- Regulatory difference is not necessarily market distortive
- Workplace pensions are more than long term saving products ? added value of **risk sharing** among Members of the same company/industry or any other constituted group
- EFRP is in favour of distinguishing between 2nd and 3rd pillar

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## Pension pillar terminology



- EU should subsume national pension pillar variants under a single EU-25 model:
  - **Pillar 1** ? State pension (PAYG)
  - **Pillar 2** ? private pension schemes linked to employment
  - **Pillar 3** ? individual private pension schemes
- Common concepts will strengthen the OMC for pensions (benchmarking and mutual learning)

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<b>Pillar I</b>	Type Access Nature Financing Management Approach Ownership assets	<ul style="list-style-type: none"> <li>▪ Basic pension benefit</li> <li>▪ Mandatory</li> <li>▪ Social security</li> <li>▪ PAYG / Notionally funded</li> <li>▪ State run</li> <li>▪ Universal / collective</li> <li>▪ State</li> </ul> <p style="text-align: center;"><b>DEMOGRAPHIC RESERVE FUNDS</b></p>
<b>Pillar II</b>	Type Access Nature Financing Management Approach Ownership assets	<ul style="list-style-type: none"> <li>▪ Supplementary pension benefit</li> <li>▪ <b>Mandatory</b></li> <li>▪ Paid work</li> <li>▪ Pre-funded<sup>1</sup></li> <li>▪ Private sector</li> <li>▪ Collective / individual</li> <li>▪ Pension provider</li> </ul>
		<ul style="list-style-type: none"> <li>▪ Supplementary pension benefit</li> <li>▪ <b>Collective bargaining /voluntary</b></li> <li>▪ Paid work</li> <li>▪ Pre-funded</li> <li>▪ Private sector</li> <li>▪ Collective / individual</li> <li>▪ Pension provider</li> </ul>
<b>Pillar III</b>	Type Access Nature Financing Management Approach Ownership assets	<ul style="list-style-type: none"> <li>▪ Supplementary pension benefit</li> <li>▪ Voluntary</li> <li>▪ Individual decision</li> <li>▪ Pre-funded</li> <li>▪ Private sector</li> <li>▪ Individual</li> <li>▪ Individual directly / pension provider</li> </ul>

## Proposal for a portability Dir.



- EFRP supports mobility but this proposal is not likely to improve it.
- Reservations:
  - Workability
  - Subsidiarity
  - Lack of clearly defined policy objectives & concepts
- Increase coverage of workplace pension schemes requires **simplification** and **cost effectiveness**
- Scope of the proposal seems arbitrary ? Reg. 1408/71 misused as an opt-out
- Risk to reinforce the trend of shifting risk away from the sponsors to the individual
- Too much and too fast

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## Tax barriers to cross-border mobility



### Removal of tax barriers in progress:

- **Contributions**
  - Infringements (BE, DK, ES, FR, IE, IT, PT, SE, UK)
- **Withholding tax on dividends and interests**
  - EFRP complaints (26)
- **Transfers pension capital**
  - EFRP report *in progress* + 1 referral to ECJ (BE)

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## Cost-efficient business environment



- More private – individual and occupational/collective pensions required
- Interest of all stakeholders:
  - a cost efficient environment
  - simplification more conducive to increase coverage
  - supervision should accept economic risk

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## Contact



**EFRP**  
Koningsstraat 97 – Rue Royale  
B-1000 Brussels

[efrp@efrp.org](mailto:efrp@efrp.org)

[www.efrp.org](http://www.efrp.org)

Tel: +32 2 289 14 14

Fax: + 32 2 289 14 15

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