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eiopa
EUROPEAN INSURANCE
AND OCCUPATIONAL PENSIONS AUTHORITY

Peer Review on Supervisory practices with respect to the application of the Prudent Person Rules for IORPs

EIOPA Occupational Pensions Stakeholder Group Meeting
Frankfurt, 8 May 2019

1. What is the issue about?

Presenting the results of the EIOPA peer review on how NCAs supervise the prudent person rule in IORPs

2. What does EIOPA want OPSG to do?

EIOPA welcomes OPSG views on the outcome of the peer review report

3. What are the next steps?

Actions and follow up by EIOPA as described in the report

Background on EIOPA's Peer Review: Role and aims



- EIOPA's role in building a common supervisory culture.
The purpose of peer reviews is to build consistent and harmonised supervisory practice in Europe, especially in difficult or new areas
- Peer reviews as one of tools used to achieve convergence of **supervisory practices**.
- Role of peer reviews in Oversight Function of EIOPA.
- Peer reviews focus not only on the **convergence of supervisory practices**, but also on the **capacity of supervisors to achieve high-quality supervisory outcomes**. Peer reviews encourage open dialogue that helps achieve common understanding, exchange of supervisory experience and the identification of best practices.

Background on EIOPA's Peer Review: Process



- The Review Panel is a particular body within EIOPA, reporting directly to EIOPA BoS
- EIOPA is a Member of the Panel
- The topics for peer reviews are proposed by the Review Panel and approved by the EIOPA BoS
- EIOPA conducts 2-3 peer reviews per year, usually one subject relates to pensions
- The process of conducting peer reviews is standardised through the Methodology:
 - **fact finding** exercises
 - **due process** (both sides of the process has its obligations and rights)
 - **justification based on facts**, clear and self-defending (each doubt has to be solved ahead)
 - **consistency** of the analyses / outcomes

Background of the IORPs PPR Peer Review



IORPs PPR assessment

why: NCAs' supervisory practices should be aimed at ensuring that the persons running the IORP - possessing the appropriate professional qualifications and experience - invest in the best interest of members and beneficiaries, thereby adequately protecting the pension rights of the latter

outcome: how the PPR supervision is implemented at national level, how quantitative criteria interact and are combined with qualitative criteria, how to supervise quantitative limits, recommended actions, best practices

Main findings: Supervisory approaches

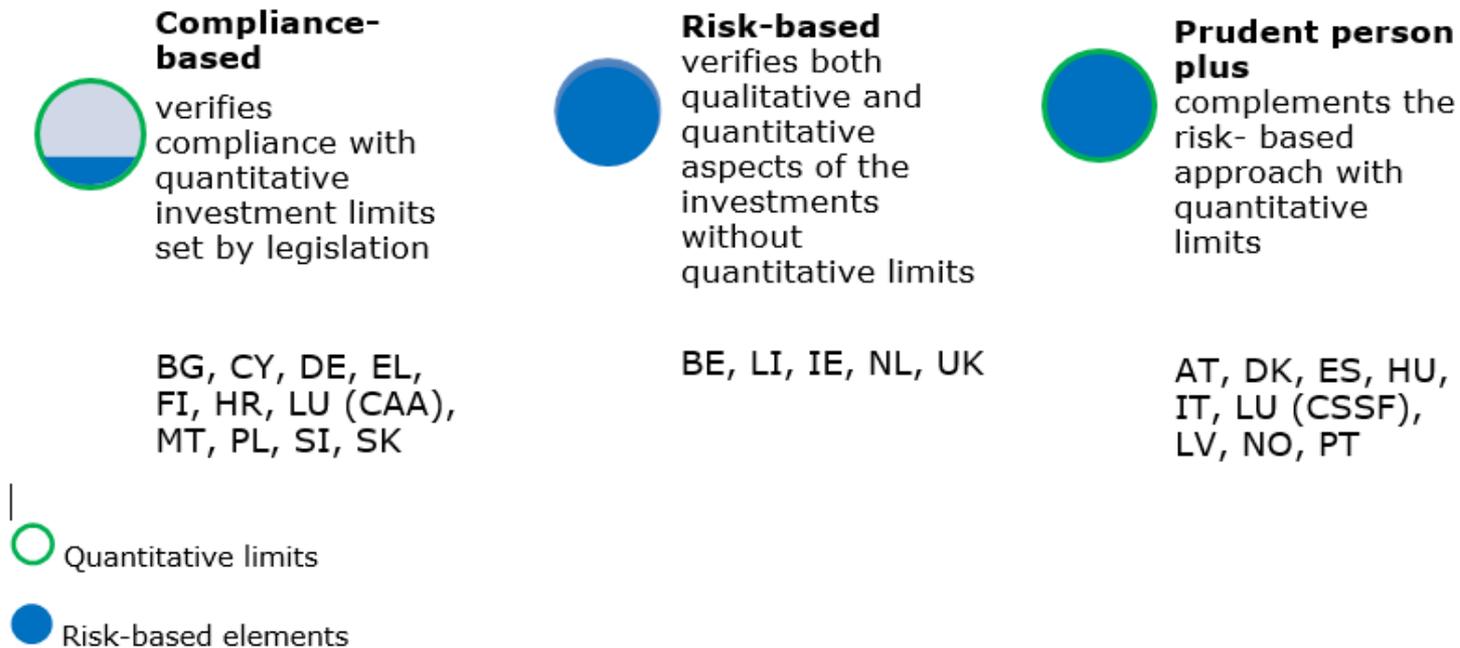


Figure 1 – Types of supervisory approaches towards PPR

Main findings: recommended actions



- 27 recommended actions to 19 NCAs (located in 16 countries)
 - o Supervisory structure and resources
 - o Frequency and granularity of data collected
 - o Regular application of look-through approach
 - o Manner in which supervisory assessment is conducted
 - o Supervisory tools
 - o IORPs' governance
 - o On-site inspections
- 3 recommended actions to EIOPA
 - o Focus on inclusion of risk-based elements in purely compliance based systems
 - o Monitoring the supervisory focus in view of a risk-based approach and the type of schemes
 - o Further elaboration on the sound practices for wider use

1. Thematic review to identify potential vulnerabilities
2. Quantitative indicator to assess quality asset management
3. Intranet application for recordkeeping and knowledge sharing
4. Written and oral fit and proper assessment
5. Disclosure of the investment plan and risk appetite by the IORP
6. A comprehensive risk assessment system

- Recommended actions to be followed-up by EIOPA and the NCAs
- Monitoring of the follow-up by EIOPA