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# **Occupational Pensions Peer Review Project 2012**

## **Final Report**

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## 1 Introduction

In 2012, EIOPA conducted a Peer Review in the field of Occupational Pensions. In accordance with the EIOPA methodology for conducting peer reviews, on the basis of the analysis from the field work, the Review Panel has drafted the present final report, which outlines the key conclusions resulting from the reviewers' assessment of National Competent Authorities (NCAs) practices, as well as the best practices identified and the recommendations made to NCAs.

Through this peer review, the Review Panel aims at encouraging open dialogue that helps to clarify practices, achieve common understanding and exchange experiences, as well as to identify best practices where possible. The EIOPA Methodology for Conducting Peer Reviews ('Methodology') contains a detailed outline of the review process<sup>1</sup>.

### 1.1 Methodology

For this Peer Review process, a self-assessment questionnaire was sent to EIOPA Members<sup>2</sup> on 2 April 2012, with a deadline for responses of 2 May 2012. The questionnaire was supplemented by additional questions that were specifically targeted to receive qualitative information on the use of IT-tools in supervisory approaches. Each NCA that responded to be responsible for supervision of IORPs was assessed by two reviewers, of which the first reviewer served as the contact point between the Team of Reviewers and the Authority being assessed. The assessments typically consisted of a review of the response from the NCA and an exchange of emails with the NCA on additional clarifications. Various meetings between the team of reviewers were organised, both physical and by telephone, to ensure consistency in the assessments.

On 2 July 2012, the Review Panel discussed and decided on the appropriate communication means (see chapter 3) for each NCA, based on a proposal by the team of reviewers. The means chosen were then communicated to the respective NCA, together with an individual feedback report outlining the reviewers' remaining questions.

Once the chosen communication means were performed and all remaining information requests addressed, the reviewers drafted evaluation reports for each NCA. The recommendations of the reviewers were then submitted to the Review Panel for discussion and decision in its meeting of 14 December 2012, together with the potential best practices that were identified during the Peer Review process. The draft evaluation reports were then submitted to the contact person of the NCAs, in order to ensure a common understanding of the analysis from the field work. After receiving these comments, the evaluation reports were finalised and sent to the Heads of the NCAs, who, in accordance with article 69 of the Methodology, were required to provide a written response to the evaluation report, stating whether they agree with the findings and recommendations of the Review Panel. The Heads of NCAs were provided with the possibility to discuss the findings and recommendations of the Review Panel in a discussion with the Chair of the Review Panel, Mr Julian Adams, and the Vice-Chair of the Review Panel, Mr Raffaele Capuano. This opportunity was not used by any of the Heads of National Competent Authorities.

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<sup>1</sup> The methodology is available at: [https://eiopa.europa.eu/about-eiopa/organisation/new-working-groups/panels/review-panel/index.html?no\\_cache=1&cid=4347&did=20828&sechash=5706a48e](https://eiopa.europa.eu/about-eiopa/organisation/new-working-groups/panels/review-panel/index.html?no_cache=1&cid=4347&did=20828&sechash=5706a48e).

<sup>2</sup> For the purposes of this report, 'EIOPA Members' refers to national competent authorities that are represented at the EIOPA Board of Supervisors, either as a Voting Member, Permanent Representative or Observer.

## **2 Scope and reference period of the Peer Review**

The assessment focuses on two elements in the supervision of IORPs, based on articles 13 and 14 of the IORPs Directive. The first element is the collection of information by the supervisory authorities on IORP activities. The second element is the use of supervisory powers in respect of situations where an IORP's behaviour needed to be changed. For the second element, the assessment examines supervisory actions under normal circumstances and actions under situations of individual and/or global stress.

Although a further aim of the review was to consider the differences in approach to both national and cross-border business, the information on existing practices that the reviewers received did not show any difference in approach between national and cross-border business during the reference period. The review therefore refrains from making this distinction.

The peer review assessment is based on the actual practices of the competent authorities subject to review, with reference to supporting national measures where relevant. The reference period for this peer review is 2008 – 2011 inclusive.

### **2.1 Countries, pension funds and authorities outside of the scope**

The self-assessment questionnaire was sent to 31 competent authorities in 30 countries in Europe. The information received during the self-assessment phase serves to highlight three issues regarding the scope of the exercise and the applicability of the questionnaire for the NCAs:

1. Six NCAs report that IORPs currently do not exist in their countries. These countries therefore fall outside the scope of the peer review;
2. A number of NCAs report that they do not only have IORPs, but also other (occupational or personal) pension funds that are outside the scope of the IORPs Directive. One NCA reports to have personal pension funds that are outside the scope of the IORPs Directive, but are supervised in accordance with the provisions of the IORPs Directive. Although this NCA completed the self-assessment questionnaire based on their experience of supervising personal pension funds, the response could not, unfortunately, be used;
3. In several countries, more than one authority appears to be competent for the supervision of IORPs. In one case, both NCAs are members of EIOPA, which means that both authorities are included in the Peer Review exercise. In two other countries, the reviewers came across competent authorities that are not members of EIOPA. The Peer Review only assesses supervision of IORPs by EIOPA Members. Non-EIOPA-members that supervise IORPs are thus not included in this assessment.

### **3 Peer Review Communication Means**

The assessment is based on the information that the reviewers received from the NCAs. In addition to the information received in the self-assessment questionnaires and through bilateral contacts with NCAs, the team of reviewers had the following communication means available to them:

- (i) visit the authority – the reviewers undertook visits to three NCAs;
- (ii) supervisory forum – five NCAs were asked to attend a one-day meeting at EIOPA (refer to section 3.1);
- (iii) telephone conference with the NCA – these were held with seven NCAs; and
- (iv) written procedure – this procedure was used for ten NCAs.

#### **3.1 Supervisory Forum**

During the provisional assessment of the information received from NCAs, the reviewers identified a number of potential best practices. One of the common themes within NCAs' responses was the use of risk-based approaches to decide when and how to use supervisory powers. Within this context, the reviewers found practices of particular interest regarding tools to collect and analyse data from IORPs to support the risk-based approach. In order to be certain that the practices were adequately understood and to be able to decide if the practices included potential 'best practices', the Review Panel organised a supervisory forum with NCA representatives. In this forum, five NCAs were invited to present the tools that they use to support their risk-based approach and explain the way in which the results from these tools feed into the decision-making process.

The aim of the supervisory forum was to enable the reviewers to develop their understanding of the various tools adopted by the relevant authorities and to compare the tools<sup>3</sup>. To achieve this aim, the relevant authorities were invited to address a number of questions in their presentations, including: (i) the reasons for developing the tool, (ii) the input that is used for the tool, (iii) the output of the tool, (iv) how this output is used within the risk-based supervisory approach and (v) if and how the tool achieved its goals.

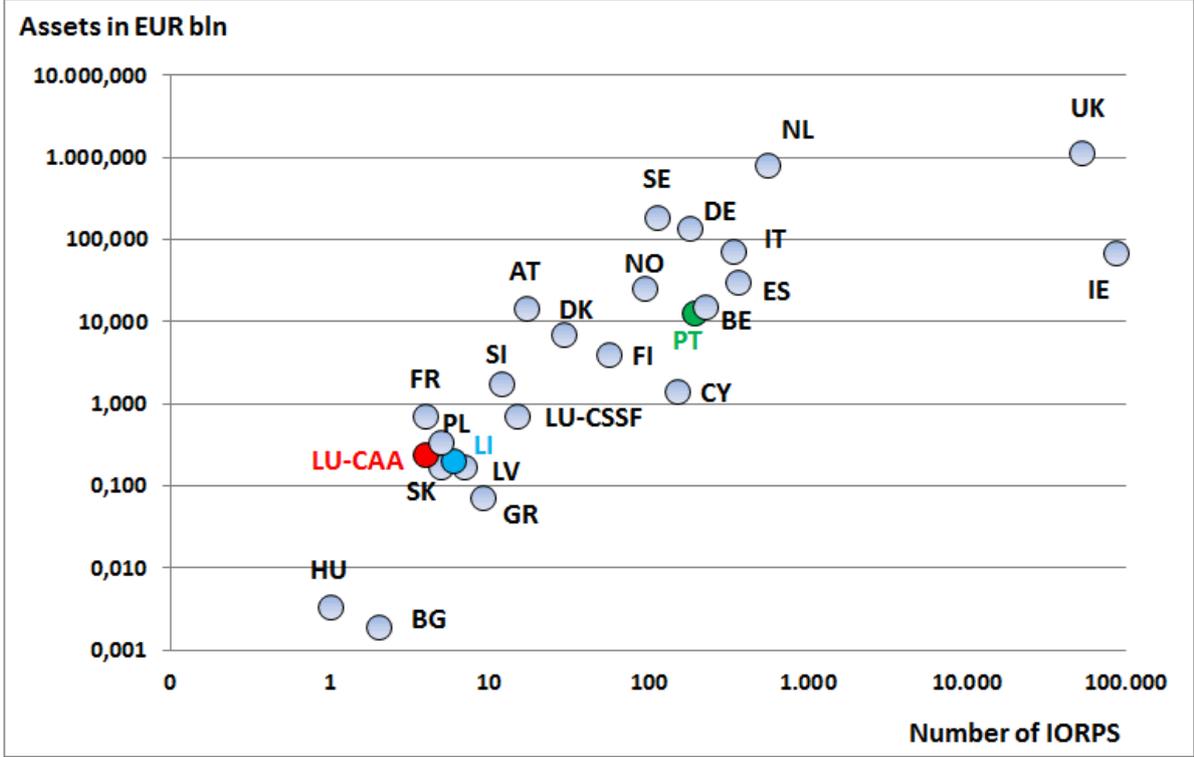
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<sup>3</sup> The comparison of the various tools was not limited to the 5 NCAs that presented their tools at the Supervisory Forum, but also included the tools that are used in two other NCAs. However, as these NCAs were selected for a visit, they were not invited to the Supervisory Forum.

## 4 Key Findings on Issues assessed

### 4.1 Context: the great variety in European occupational pension systems

One of the difficulties of comparing occupational pensions systems (also referred to as '2<sup>nd</sup> pillar pensions') in Europe is the great variety, which is partly due to differences in social security systems (1<sup>st</sup> pillar pensions), but also partly historically grown. The following graph shows the differences in terms of numbers of pension funds and assets under management, for all authorities assessed during this peer review exercise. The scaling of the graph is logarithmic<sup>4</sup>, rather than proportional.



<sup>4</sup> The logarithmical scaling may make it more difficult to read the graph. Moving from left to right, the number of IORPs grows exponentially and moving from bottom to top, the assets under management also grow exponentially. As an example, the distance (in cm) between FR and LU-CSSF in respect of number of IORPs is roughly the same as the distance between SE and NL. However, the absolute difference in numbers of IORPs between FR and LU-CSSF is 11, while the absolute difference between SE and NL is 440.

This great variety makes it difficult to appropriately compare the respective pension systems, especially if the aim is to identify a common level of supervision that would be appropriate in every system. For example, it is quite possible to perform on-site inspections at every IORP at least every five years if the occupational pensions system contains less than 10 IORPs, even if the level of staff resources available to the authority is limited. It is, however, impossible to perform on-site inspections at every IORP at least every five years without unrealistically large numbers of resources and huge costs if the occupational pensions system contains more than 10,000 IORPs. Another element to take into account is whether the authority responsible for the supervision of IORPs is also in charge of the supervision of other products, like personal pensions, with the same resources<sup>5</sup>. The peer review exercise therefore adopted a proportionate approach, focusing on the level of supervision that would be appropriate for a NCA, taking into account the number and magnitude of IORPs in the respective country.

#### 4.2 Adequacy of resources

The great variety in the national pension systems is not limited to the number of IORPs and the amount of assets under management; it is also visible in the position of IORP supervision in the supervisory landscape of the respective country. In some countries the supervisory authority responsible for IORP supervision is a separate supervisor that is only responsible for IORP supervision, while in other countries IORP supervision is performed by a supervisory authority that also supervises banks, insurance undertakings, securities markets and/or other financial institutions. Also, some supervisory authorities are separate legal entities, while other supervisory authorities are autonomous parts of the government. The table below provides an overview.

	<b>Separate legal entity</b>	<b>Autonomous part of the government</b>
<b>Specialised in pension supervision</b>	IE, IT, UK	CY, GR
<b>Integrated supervisor</b>	AT, BE, BG, DE, DK, FI, FR, HU, LI, LU, LV, NL, NO, PL, PT, SE, SI, SK	ES <sup>6</sup>

Supervisory authorities are organised in different ways, partly for resource purposes. Most NCAs have special departments for the supervision of IORPs, but there are also examples of NCAs where supervision of IORPs is combined with supervision of insurance companies, supervision of investment funds, supervision of securitisation undertakings, or supervision of market conduct, investment funds and financial markets. There is no common approach regarding the set-up of departments. In some authorities, departments are organised along the lines of supervised entities (e.g. separate departments for large and small pension funds), others are organised along the lines of disciplines (e.g. separate departments of actuaries and/or legal affairs), and the organisation of others is aligned with the supervisory activities (e.g. departments for on-site supervision and off-site supervision).

Many supervisory authorities use multi-disciplinary supervisory teams, consisting of experts from various disciplines such as actuaries, economists, lawyers and business analysts. Supervisory case teams regularly meet to discuss the approach towards certain IORPs. By using multi-disciplinary teams, NCAs can ensure that supervisory issues are considered from

<sup>5</sup> An example of a country where the same staff supervises both IORPs and other products is ES.

<sup>6</sup> Note that the "Dirección General de Seguros y Fondos de Pensiones" is (legally) not an autonomous part of the government, but a Department of the Ministry of Economy and Competitiveness.

different perspectives, combining the various competences to obtain an overall view. In addition, regular meetings are scheduled (often on a monthly basis) for each of the specific disciplines, in which for instance the actuaries from all case teams meet. This practice is adopted to ensure maximum consistency of supervisory approaches, even within a multi-disciplinary approach. One NCA refers to this combination of multi-disciplinary teams and intra-disciplinary meetings as a "cross fertilisation concept".

Some NCAs reported having too limited resources. Other NCAs indicated that their resources allowed them to adequately supervise all IORPs, but did not allow them to perform on-site inspections to all supervised IORPs with the frequency they wanted. And for other authorities, although the number of on-site inspections performed seems to be quite low, the approach taken appears to be proportionate.

#### **4.3 Collection of information and use of supervisory tools**

With regard to collection of information, supervisory authorities typically have the powers and means to require IORPs to supply information about all business matters or forward business documents. The level of automation with regard to the process of collecting and analysing data varies across NCAs. In some NCAs the process is highly automated, while in other NCAs data collection is mainly performed manually. In itself, manual data collection was not considered to be problematic within the context of the review, since the NCAs that reported manual collection of data have limited numbers of IORPs. Most NCAs that use highly automated processes collect quantitative data via a bespoke website.

In general, NCAs are aware of the burden that reporting requirements may pose on IORPs, especially when various government agencies ask for the same or similar data. In some countries, the supervisory authorities cooperate with other government agencies (e.g. the National Statistics Office) to collect and exchange data in a coordinated way, either on a voluntary basis or because of legal obligations. Cooperation between agencies could significantly limit administrative costs for supervised entities. One NCA reported to apply a 'one-stop-approach', in which data needs of the supervisory authority and of the National Statistics Office are combined and all the necessary data for both agencies collected by only one agency. Obviously, any cooperation with regard to data collection needs to have regard to data protection issues. In one NCA, the explicit principle is used to only collect data that are intended to be used in actual supervision.

During the reference period, only a few NCAs reported that they had encountered difficulties in collecting necessary information. All such NCAs noted that IORPs quickly improved their reporting once the supervisory authority had pointed out their non-compliance.

The supervisory authorities feed the data that is collected this way (the data is often combined with data from internal sources and sometimes also with data from external non-commercial sources) into analytical systems. Many of the analytical systems that are used by supervisory authorities automatically generate reports that focus on pre-specified risks. In addition, many of the analytical systems manually generate ad-hoc reports that deal with specific risks that the supervisory authority considered required further analysis.

During the supervisory forum selected countries presented the supervisory tools they used. Section 3.1 refers to the information they were asked to provide during the forum. The same information was also requested from two NCAs during the visits to those authorities.

With respect to the technical elements of the tools that were presented, most NCAs apply standardised formats (such as XML or XBRL) and IT systems. Many NCAs applied initial validation for including the data in the tool (e.g. by checking if numeric fields are only filled

with numbers). NCAs also focused on the user friendliness of the tool, ensuring that all IORPs would be able to feed the requested information into the tool.

With respect to the required input for the tools, NCAs apply different levels of detail, depending on national requirements. Whereas some NCAs require very detailed information, especially on the breakdown of investments, other NCAs require less detailed information. One country reported a national requirement to coordinate with the National Statistics Office, in order to ensure that IORPs would not have to deliver the same information to both: the supervisory authority and the statistics office.

With respect to the output that the tools deliver, all NCAs receive reports that focus on specific risks. These tools not only provide a high-level overview for all IORPs collectively, but provide for breakdowns into smaller groups and individual IORPs. Also, most tools allow the reports to focus on specific characteristics.

With respect to the use of the supervisory tools in the supervisory practice, most NCAs involved informed the reviewers that the results from the tool were used in resource planning and in determining the supervisory tools that would be used in respect of certain IORPs. A common use of this output includes the selection of IORPs with specific risk profiles for on-site inspections.

All NCAs involved stated that the tools were regularly monitored to ensure effectiveness and continuously evaluated to address new risks or changed priorities. This shows the determination of NCAs to keep their tools up-to-date and develop them according to their needs.

#### **4.4 Use of supervisory powers**

Examples of 'regular' supervisory powers that can be used when performing supervision include the powers to (i) perform on-site inspections, (ii) replace or remove trustees or board members, (iii) issue administrative sanctions, (iv) impose funding settlements and (v) prohibit or restrict the activities of an institution.

In the United Kingdom, The Pensions Regulator has, in addition to the 'regular' supervisory powers, two 'unique' powers that are specifically developed to respond to certain elements of the UK's pension system. Firstly, for instance within its various mechanisms to protect the Pension Protection Fund, The Pensions Regulator has the power to influence corporate transactions which have a detrimental effect on the pension scheme funding. Secondly, in order to ensure that employers fulfil their legal obligation to fund the pension scheme, The Pensions Regulator has the power to issue Contribution Notices and Financial Support Directions that require the addressee to provide additional funding to a pension fund. Financial Support Directions can be given not only to the sponsoring employer itself, but also to other institutions that are part of the same (financial) group to which the sponsoring employer belongs.

Ireland appears to be a notable exception where the supervisory authority does not have all 'regular' supervisory powers, as the Pensions Board's powers do not currently include the power to issue administrative sanctions, but are mostly of criminal law nature. Whilst the Board has issued on the spot fines to a number of trustees, their supervisory options are more limited because of the criminal law requirements than other supervisors' who have access to administrative and criminal powers.

The Review Panel notes that all NCAs apply risk-based supervision, but some on a more advanced level than others. This has consequences on the: (i) collection and analysis of data (refer to section 4.3), (ii) assessment when to use supervisory powers and (iii) the

appropriateness of the exercise of specific supervisory powers. Most NCAs apply a two-staged approach, in which IORPs are firstly asked to correct any problems that arise (many NCAs consider this non-formalised procedure to be one of the most effective ways to deal with problems) and, if such a request does not help in solving the problem, formal measures are taken.

Most, if not all, supervisory authorities have used their supervisory powers during the reference period. Powers used include:

- cease and desist orders under penalty;
- administrative fines;
- removing trustees or board members;
- appointing a special representative to an IORP;
- criminal prosecution of trustees;
- requiring the IORP's sponsoring undertaking to provide additional funding;
- restricting the free disposal of assets; and
- restricting or prohibiting the activities of an IORP.

#### **4.5 Approach towards on-site inspections**

All supervisory authorities have the power to perform on-site inspections at the premises of an IORP, although in one NCA the legislation does not explicitly provide for this power. In the approach towards performing on-site inspections, distinction must be made between regular on-site inspections and ad-hoc on-site inspections. Regular on-site inspections are part of a rolling cycle of inspections over a defined period and are scheduled in accordance with pre-set goals, while ad-hoc on-site inspections are scheduled only if and when the actual situation calls for them.

Supervisory authorities usually apply a work plan for **regular on-site inspections**, in which they indicate how many IORPs will be visited each year and the intended frequency of such on-site inspections. Many of these plans are based on the intention of visiting all IORPs with a reasonable frequency, which often lies between three and five years. Other plans aim at regularly assessing a significant number of IORPs covering the largest part of the system in terms of assets and members. Regular on-site inspections usually cover a number of the following issues: governance, organisation and operations, financial management, financial controls, payment of benefits, execution of transfers, management of complaints, information given and received by those involved in the gathering of adhesions<sup>7</sup>. The composition of the supervisory team to perform the on-site inspection is typically based on the issues that the on-site inspection is intended to address.

Occasionally, supervisory authorities consider that there is a need to schedule **ad-hoc on-site inspections** to certain IORPs. These ad-hoc inspections could be triggered by global or national circumstances, such as the current financial crisis, but could also be triggered by the identification of risks in respect of a specific IORP.

Usually, on-site inspections are performed by the supervisory authorities. However, in a number of NCAs there is also the possibility to outsource part of the on-site activities to external auditors. Where this power is exercised, the auditors function as an extension of the supervisory authority and often operate under strict instructions from the supervisory authority, who remains ultimately responsible.

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<sup>7</sup> Adhesions can occur in systems with 'open pension funds', where membership of an IORP is not restricted to employees of specific employers, and with multi-employer schemes where further employers can adhere to the scheme.

Many IORPs have outsourced certain functions to independent, commercial service providers. In fact, outsourcing is quite common in the areas of administration and investment management. Although the IORP remains responsible and accountable for the proper execution of the outsourced tasks, it may not always be possible or feasible to fully rely on the IORP for answering the supervisory authority's requests for information on outsourced activities. Article 13(d) of the IORPs Directive aims to ensure that supervisory authorities have the power to perform on-site inspections at the premises of third party service providers. Such on-site inspections allow the supervisory authority to increase supervision of outsourced activities and to check whether or not the IORP itself is still in control of the outsourced activities.

Practices with regard to on-site inspections at the premises of third party service providers vary. Some NCAs focus their supervision of outsourced activities on the IORP, only visiting third party service providers if the IORP fails to provide adequate information. Other NCAs apply a more direct approach towards on-site inspections at the premises of third party service providers. It must however also be noted that in a number of NCAs, third party service providers are not specifically included in IORP supervision if the service provider is a regulated and supervised entity itself. The Review Panel notes that, even though this approach in itself helps to save resources and avoid supervisory arbitrage, it requires good communication between the supervisors involved<sup>8</sup> in order to ensure that the supervision of outsourced functions performed by third parties is the same as the supervision of IORPs that perform these functions themselves.

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<sup>8</sup> Depending on the national organisation of supervision, this could refer to internal communication within a supervisory authority that is responsible for both the supervision of IORPs and for supervision of the service provider. It could also refer to communication between two different supervisory authorities.

## 5 Recommendations

### 5.1 Recommendation for EIOPA

#### *Identify competent authorities that are not yet an EIOPA Member*

During the review process, the reviewers came across two instances whereby IORPs were supervised by public authorities that are not members or permanent representatives of EIOPA (refer to section 2.1 under 3). Considering that both article 40 of the EIOPA Regulation<sup>9</sup> and article 1 of the EIOPA Board of Supervisors Rules of Procedures<sup>10</sup> assume that EIOPA should consist of all public authorities that are competent for the supervision of IORPs and insurance companies, **the Review Panel recommends EIOPA to investigate whether or not the NCAs involved should be required to join EIOPA.**

### 5.2 Recommendation for all NCAs

#### *Self-assessments must be comprehensive*

The self-assessment responses from NCAs provide the reviewers with the first set of information which will be used to identify the additional information needed in order to enable the reviewers to properly assess an NCA's practices. **The Review Panel recommends that NCAs provide clear and elaborate responses in all stages of a peer review (including the self-assessment).**

### 5.3 Recommendations for individual NCAs

During the review process, four NCAs received recommendations from the Review Panel, for various reasons. The following represents (in no particular order) recommendations that were made to individual NCAs:

- Current staff numbers are not sufficient in the current circumstances. For the time being, the staff levels are expected to remain unchanged due to budget restrictions. The Review Panel is of the view that the limited number of staff may continue to be an issue in the future and an increase of staff resource could be appropriate. The Review Panel recognizes that this is outside the control of the NCA and a political decision, but would encourage the NCA to find ways to devote more resources to IORP supervision;
- It is important that existing IORPs, even if they are closed to new members, are supervised adequately for many years to come. The Review Panel recommends that the NCA increases its focus on the supervision of IORPs. By focusing attention on other types of financial institutions, the NCA could potentially miss risks relating to the proper winding-up of existing IORPs which could potentially harm members or beneficiaries. The Review Panel recommends that the NCA ensures proper winding-up of IORPs;
- Appropriately automated IT tools can play an important role in data analysis. The Review Panel recommends the improvement of current IT Tools and report outputs, as this could enable the NCA to obtain a more accurate and detailed picture of an IORP's exact financial position. Automation could considerably lessen the burden of the NCA's tasks. Furthermore, automation could also reduce operational risks that come with manual intervention;

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<sup>9</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:331:0048:0083:EN:PDF>

<sup>10</sup> [https://eiopa.europa.eu/fileadmin/tx\\_dam/files/Legal\\_Framework/EIOPA-BoS-Rules\\_of\\_Procedure-Rev1.pdf](https://eiopa.europa.eu/fileadmin/tx_dam/files/Legal_Framework/EIOPA-BoS-Rules_of_Procedure-Rev1.pdf)

- The Review Panel recommends that the NCA should make more use of its supervisory power to request additional and more detailed data from IORPs especially during periods of financial crisis;
- The NCA's powers are related to criminal sanctions to a large extent and its supervisory options are more limited because of the criminal law requirements than those of other supervisors who have access to administrative as well as criminal powers. The Review Panel considers that the NCA's effectiveness could increase if a regime of administrative fines and sanctions was adopted to sit alongside the existing criminal options, thus increasing supervisory powers and options. As administrative sanctions can be used without previous consent of a court or other body, the availability of administrative (in addition to criminal) powers provides a more effective means of correcting IORPs' wrongful behaviour;
- The Review Panel emphasises the importance of supervisory authorities performing on-site inspections to IORPs. The Review Panel therefore recommends the inclusion of a specific provision for this particular supervisory power into the national IORP legislation. On-site inspections will allow for a more thorough supervision of the actual practices of IORPs, especially with regard to an IORP's administration and accounting procedures and internal control mechanisms;
- The NCA did not perform any on-site inspections during the reference period at IORP's premises or at the premises of a third party service provider. In fact, the limited number of staff prevents the authority conducting on-site inspections. The Review Panel considers it useful if the authority was to perform on-site visits. The Review Panel understands that the authority recognises the need to perform on-site inspections and welcomes the authority's decision to start performing on-site inspections at least to the biggest IORPs in terms of number of members and assets;
- The NCA should consider examining a wider range of issues during on-site inspections, especially with regard to sound administrative and accounting procedures and adequate internal control mechanisms.

## 6 Best Practices

### 6.1 Process for selecting best practices

During the review process, the reviewers came across numerous sound practices, in all areas of the Peer Review. Some practices were especially useful for the respective NCAs which had adopted the practices, given the individual characteristics of their national pension system, while other practices could also be beneficial for other NCAs.

### 6.2 List of Best Practices

#### 6.2.1 *Best practices on the adequate use of resources*

The Review Panel considers it a best practice where **supervision of IORPs is performed through multi-disciplinary teams, consisting of at least a legal expert, an economics expert and, where appropriate, an actuarial expert**. By using such multi-disciplinary teams, NCAs can ensure that issues arising during supervision are considered from different perspectives, by combining the competences of various experts in order to arrive at an overall view.

The Review Panel also considers it a best practice where, within the concept of multi-disciplinary teams, **regular meetings are scheduled within disciplines, in which the relevant experts share their practical experiences and discuss their approaches**. By organising such intra-disciplinary meetings, it will be easier for the NCA to achieve consistent practices. It also allows experts that operate within the same discipline to consult each other when dealing with specific issues.

The Review Panel is aware that these best practices may be challenging for some NCAs with limited resources or a limited number of IORPs to supervise. However, the best practice to operate multi-disciplinary teams can in that case be used as an aid in selecting and hiring resources.

#### 6.2.2 *Best practices on supervisors' collection of information*

The Review Panel considers it a best practice where **supervisory authorities coordinate data needs with other supervisory authorities and/or national statistics offices and exchange information between these agencies**. It is acknowledged that data needs of supervisory authorities often<sup>11</sup> relate to data that are also needed by other governmental agencies, such as other supervisory authorities and national statistics offices. Cooperation between agencies could significantly limit the practice that supervised entities have to report the same data to more than one governmental agency, and could therefore also limit administrative costs to supervised entities. The ultimate form of cooperation on data collection is the 'one-stop-approach', in which data are reported to one governmental agency only and other governmental agencies can collect the data they need with the data collecting agency. Obviously, the cooperation with regard to data collection needs to take good care of data protection issues, which is why this best practice does not go beyond specific governmental agencies.

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<sup>11</sup> The data needs of various authorities and agencies will never be identical, as the specific objectives of supervisory authorities will lead to specific data needs that differ from the data needs of other supervisory authorities and national statistics offices.

### 6.2.3 Best practices on the use of supervisory tools

Most, if not all, NCAs use supervisory tools to collect and analyse data that are collected from IORPs. The level of automation of these tools varies, ranging from almost fully manual to almost fully automated collection and analysis. Within these tools, several best practices are identified, which could be useful for all NCA, even though the principle of proportionality brings with it the recognition that there is no one-size-fits-all practice.

The Review Panel considers it a best practice where **supervisory tools are focused on pre-specified risks, which are explicitly selected by the supervisory authorities based on likelihood and potential impact**. Supervisory authorities should be aware of the risks that IORPs are facing and be especially careful about risks that would have significant impact if they materialise or that are considered to have a significant likelihood of materialising in the near future. Supervisory tools, even less automated tools, can assist the supervisor in focusing on these risks.

The Review Panel considers it a best practice if **supervisory tools are used with flexibility for adjustment and improvement**. Data needs of supervisory authorities change regularly as a result of changes in the legal environment, changes in the focuses of the supervisory authority itself or any other relevant circumstances. As supervisory tools are developed to assist the supervisory authority in its supervision, these tools should be regularly reviewed if they need to be improved to better align with the authority's needs.

The Review Panel considers it a best practice where **supervisory authorities use the information acquired through their supervisory tools for the planning of resources and supervisory attention, and for selecting the appropriate powers needed to correct certain behaviour or situations**. It is important that supervisory authorities have the right focus, by taking into account likelihood and potential impact. As supervisory tools are developed to identify the most important risks, they should be used to plan which resources are used in respect of the risks identified and/or certain IORPs, and the level of attention that should be allocated to those risks. Supervisory tools can also be helpful in identifying which powers a supervisory authority could use to better control the risks or to limit the impact in case a certain risk would materialise.

### 6.2.4 Best practices on on-site inspections

The Review Panel considers it a best practice where **supervisory authorities conduct regular on-site inspections at IORP's premises, focused on size and the key supervisory issues**. On-site inspections allow for a more thorough supervision of the actual practices of IORPs and are an important means to collect detailed and in-depth information, additional to regular reporting. The Review Panel considers that in relation to performing **regular** on-site inspections to institutions, dependent on the national situation and under the assumption that **ad-hoc** on-site inspections are performed where necessary, the depth of the reporting requirements and of the supervisory tools could limit the necessity of on-site inspections. The Review Panel also considers that there is no 'standard' frequency for on-site inspections, even though many NCAs use an approach to on-site inspections where the aim is to visit all IORPs at least once every three to five years. In addition, the available resources, in comparison to the number of IORPs, could set a natural limit on the number of IORPs that can be visited each year and thus also on the frequency with which regular on-site inspections are performed.

The Review Panel considers it a best practice where **supervisory authorities schedule ad-hoc on-site inspections, complementary to the regular on-site inspections, based on risk identifications and supervisory triggers**. Risks can materialise at any time, whereas the schedule for regular on-site inspections are made at specific times. Therefore, a need might arise to perform an on-site inspection to an IORP outside the regular on-site inspections, because, for example, a risk materialises in the financial market or in respect of the IORP. Supervisory authorities should then be able to conduct ad-hoc on-site inspections, targeted at specific and mostly urgent risks.

## 7 Conclusions

### 7.1 Impact on Common Supervisory Culture

The Peer Review on pensions 2012 has contributed to creating a common supervisory culture in several ways.

- **Supervisory Forum** (refer to section 3.1). The supervisory forum allowed the reviewers to meet as a team and collect comparable information on the use of supervisory tools from a number of NCAs in a single day. The format of the forum also allowed participating Authorities to compare supervisory tools and learn from each other's practices.
- **Identification of best practices.** NCAs can use these best practices to improve their supervisory approaches.
- **The evaluation reports.** In the evaluation reports, the Review Panel identified practices in NCAs that could benefit from development, using (where relevant) the practices of other NCAs to illustrate potential improvements, even if these practices did not constitute a best practice. For example, in one case the Review Panel pointed to the existing practice (used by at least two other NCAs) of asking external auditors to perform on-site inspections on behalf of the supervisory authority to deal with the issue that existing resources were too limited to perform on-site inspections to all supervised IORPs to the desired frequency.

### 7.2 What should be the emphasis in any follow-up measures?

This Peer Review on Pensions has led to a number of recommendations, not only towards individual NCAs, but also towards EIOPA and to all NCAs. In a number of cases, the Review Panel has been made aware of improvements that NCAs are making to their national system.

The Review Panel considers that following-up on these recommendations and improvements would be appropriate, in order to ensure that recommendations have been taken up and improvements processed. According to the methodology, the follow-up should be performed on an annual basis.

## Country Abbreviations and National Competent Authorities

<b>AT</b>	Austria	Finanzmarktaufsichtsbehörde (FMA)
<b>BE</b>	Belgium	Financial Services Market Authority (FSMA)
<b>BG</b>	Bulgaria	Financial Supervision Commission
<b>CY</b>	Cyprus	Έφορος Ταμείων Επαγγελματικών Συνταξιοδοτικών Παροχών - Υπουργείο Εργασίας και Κοινωνικών Ασφαλίσεων (Registrar of Occupational Retirement Benefit Fund - Ministry of Labour and Social Insurance)
<b>DE</b>	Germany	Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)
<b>DK</b>	Denmark	Finanstilsynet
<b>ES</b>	Spain	Dirección General de Seguros y Fondos de Pensiones
<b>FI</b>	Finland	Finanssivalvonta (Financial Supervisory Authority)
<b>FR</b>	France	Autorité de Contrôle Prudentiel (ACP)
<b>GR</b>	Greece	Εθνική Αναλογιστική Αρχή (National Actuarial Authority – NAA)
		Διεύθυνση Επαγγελματικής Ασφάλισης της Γενικής Γραμματείας Κοινωνικών Ασφαλίσεων του Υπουργείου Εργασίας, Κοινωνικής Ασφάλισης και Πρόνοιας (the Directorate for Occupational Insurance of the General Secretariat for Social Security in the Ministry of Labour, Social Security & Welfare)
<b>HU</b>	Hungary	Pénzügyi Szervezetek Állami Felügyelete (PSZAF - Hungarian Financial Supervisory Authority)
<b>IE</b>	Ireland	The Pensions Board – An Bord Pinsean (PB)
<b>IT</b>	Italy	Commissione di Vigilanza sui Fondi Pensione (COVIP)
<b>LI</b>	Liechtenstein	Financial Market Authority (FMA)
<b>LU</b>	Luxembourg	Commissariat aux Assurances (CAA)
		Commission de Surveillance du Secteur Financier (CSSF)
<b>LV</b>	Latvia	Finanšu un kapitāla tirgus komisija (FKTK – Financial Capital Markets Commission)
<b>NL</b>	The Netherlands	De Nederlandsche Bank (DNB)
<b>NO</b>	Norway	Finanstilsynet (Financial Supervisory Authority)
<b>PL</b>	Poland	Polish Financial Supervision Authority (PFSA)
<b>PT</b>	Portugal	Instituto de Seguros de Portugal (ISP)
<b>RO</b>	Romania	Private Pension System Supervision Commission (RSCPPS)
<b>SE</b>	Sweden	Finansinspektionen (Financial Supervisory Authority)
<b>SI</b>	Slovenia	Agencija za zavarovalni nadzor (AZN - Insurance Supervision Agency)
<b>SK</b>	Slovakia	Národná Banka Slovenska (NBS – National Bank of Slovakia)
<b>UK</b>	United Kingdom	The Pensions Regulator (TPR)