

Feedback statement

on comments received on the draft Opinion on
the supervisory reporting of costs and charges
of IORPs

Policy Department
EIOPA-BoS-21/444
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eiopa

European Insurance and
Occupational Pensions Authority

FEEDBACK STATEMENT

Introduction

EIOPA conducted a public consultation on the draft Opinion on the supervisory reporting of costs and charges of IORPs, which ran from 22 April 2021 until 22 July 2021. EIOPA received 16 stakeholder responses to the public consultation, including a response from EIOPA's Occupational Pensions Stakeholder Group (OPSG), of which 11 public and 5 confidential responses. Besides OPSG, the public responses were from pension associations (1 European, 3 national), insurance associations (1 European, 1 national), actuarial associations (1 European, 1 national) and association representing social partners (1 European) and consumers (1 national), with all national responses coming from Belgium, Germany and the Netherlands.

EIOPA would like to thank all stakeholders for their responses to the public consultation. The input received provided important guidance for EIOPA to finalise the Opinion. All comments submitted were given careful consideration by EIOPA.

This feedback statement summarises the main responses received and how EIOPA addressed them in the Opinion. The individual responses received and EIOPA's feedback on these responses are published in a separate document.

Objective of the Opinion

The Opinion is addressed to the national competent authorities on the basis of Article 29(1)(a) of the Regulation (EU) No 1094/2010. The main objective of the Opinion is to foster an effective cost supervision across the EU in order to enhance the value for money offered to members and beneficiaries, the cost efficiency of IORPs and the affordability for sponsors.

The supervisory reporting of transparent cost data will allow CAs to assess the cost efficiency of IORPs, the affordability for sponsors and the value for money offered to members and beneficiaries and consider the outcomes within the supervisory review process, including in the dialogues with the IORP's management board. The cost reporting will encourage IORPs to assess and manage their cost structure in a more comprehensive and transparent way, in particular where IORPs are now only considering direct and not indirect investment costs.

Currently, cost information reported to CAs is incomplete and inconsistent. Most CAs receive costs information based on the IORPs' annual accounts, which follow national accounting rules and are

commonly not subject to a look-through approach, i.e. including fees and charges of external investment funds/managers as well as transaction costs. Only five CAs (out of twenty-five) surveyed collect transparent cost data from IORPs, explicitly disclosing all of the costs charged, in particular with respect to investment costs. As a result, CAs may not be able to assess the cost efficiency of IORPs, the affordability of occupational pension schemes and whether IORPs offer value for money, jeopardising the protection of members and beneficiaries.

Main responses received and how EIOPA addressed them

OBJECTIVE OF TRANSPARENT AND COMPREHENSIVE SUPERVISORY COST REPORTING

Respondents expressed split views with regards the objective of implementing a transparent and comprehensive cost reporting for supervisory purposes of the draft Opinion (see Chart 1). From the five respondents that agreed with the objective, including EIOPA OPSG, several supported the objective of the draft Opinion and claimed that transparency will result in a reduction of IORP costs.

The OPSG noted that at the European level the IORP II Directive introduced structural cost disclosure requirements for IORPs, both towards prospective and actual scheme members. Nonetheless, the Directive does not further specify which costs should be covered, according to which criteria and how detailed the breakdown should be or how the costs should be presented. Therefore, the Opinion is a good step to provide more clarity and the data collection of costs and charges is necessary.

One respondent noted that cost transparency is poor among commercial IORPs, and in particular cost comparisons are important to help employers make informed selection of their pension's providers. Another stakeholder agreed with the objective but suggested to consider the requirements that exist at national level, as Member States with already well-developed cost reporting would be particularly disadvantaged as the opinion would introduce unnecessary changes.

Two respondents called on EIOPA to extend the scope of the Opinion to include guidelines for "value for money" assessment, covering risk, performance and service criteria, in the opinion and raised concerns about an unlevel playing field if occupational pensions provided by insurers are not bound by the same requirements.

From the stakeholders opposing the objective, some opposed reporting on costs to supervisors, claiming that cost transparency is not a matter of prudential regulation, as IORPs are not-for-profit institutions and are not operating in a competitive environment. For EIOPA and NCAs, a high-level cost overview should be sufficient. Instead, these stakeholders claim that cost transparency and comprehensive cost reporting is as an objective for the management board of the IORP and/or the

negotiating social partners.

Some stakeholders put forward that it is not clear how the publication of cost data can be justified based on the IORP II Directive. While the protection of members and beneficiaries is essential, it does not in itself justify disclosure. In addition, these respondents claimed that cost transparency is not a matter of supervision. Social partners are protecting members and beneficiaries, since interests are aligned. Employers try to get the best deal for their employees and of course for themselves, keeping costs down.

Some other respondents noted that the draft opinion should better consider the complexity of the operations of each specific IORP, not only comparing the quality of service, which assumes that the type of service is the same, but also the kind of service provided.

Chart 1: Do you agree with the objective of implementing a transparent and comprehensive cost reporting for supervisory purposes?, number of public responses

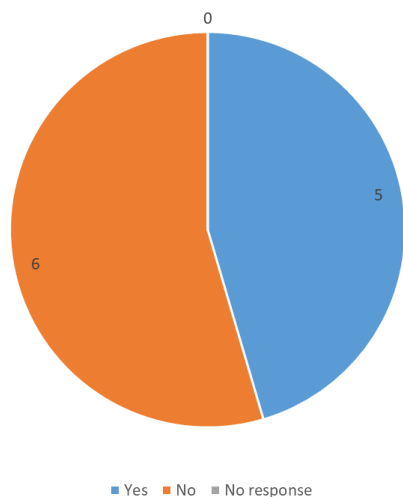
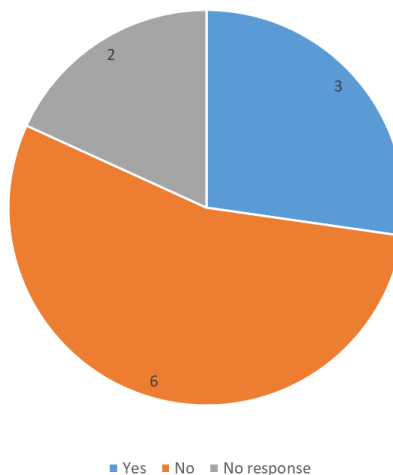


Chart 2: Do you agree that the annex provides a balanced view of the costs and benefits of the draft Opinion?, number of public responses



EIOPA FEEDBACK

It is CAs competence to supervise the costs of the IORP sector to identify risks and vulnerabilities, but also to protect members and beneficiaries by ensuring that IORPs fulfil their duties towards scheme members. Benchmarking and other supervisory actions are

important tools to achieve these goals. EIOPA agrees that not only quality of service is important but the type of service provided.

The opinion refers to “value for money”, however it does not as such include recommendations to gather performance and risk data collection for such assessments. EIOPA agreed to refer to the service provided as an important element for the “value for money” assessments.

ANALYSIS OF THE COSTS AND BENEFITS

Respondents expressed mixed views with regard to the assessment of the costs and benefits in the draft opinion. Six stakeholders were of the view that the analysis did not provide a balanced view of the costs and benefits, while three stakeholders believed it did.

A number of stakeholders called on EIOPA to conduct an in-depth research and analysis before developing an opinion on costs to establish regular reporting requirements, to determine whether there are any problems for members, beneficiaries, IORPs or sponsoring employers and if so, for which reasons.

Of the respondents agreeing with the cost-benefit analysis, some explicitly supported the option that “as institutional clients, IORPs should be able to request to service providers the itemised cost disclosure under MiFID II to collect detailed data on investment and transaction costs and report it accordingly to the NCA.” There is no contradiction between granularity and flexibility, if the principle of proportionality for small- and medium-sized IORPs will be applied appropriately.

However, other stakeholders noted that it is not clear why the third option is best and requested a clear justification, including evidence. Moreover, it was suggested that the need for cost reporting and related supervisory actions is highly depending on the structure of the market.

Stakeholders expressed opposing views on whether the benefits of cost reporting will outweigh the costs for IORPs. Some agreed that a further disclosure of cost structures will lead to IORP cost reductions. Potential cost reductions for plan members is likely to exceed the costs related to the reporting requirement, lead to an increase in accumulation of benefits in a DC context or a decrease of contributions in a DB context, and also serve the needs of management of the IORP.

In contrast, other stakeholders claimed that increasing reporting requirements leads to administrative burden and increases costs, making many pension schemes no longer affordable for sponsors. A number of stakeholders called on EIOPA to take the size of the IORP into account, and generally follow the proportionality provisions included in the IORP II Directive. Since the costs of cost reporting are fixed costs, small- and medium-sized sponsors and IORPs would particularly be impacted.

EIOPA FEEDBACK

EIOPA takes note of the suggested improvements to the cost and benefit analysis. EIOPA has provided more details on the cost break-down and considered the option to mirror the breakdown used in EIOPA's regular information requests towards NCAs regarding provision of occupational pensions information.

EIOPA believes a pilot exercise conducted prior to the adoption of the opinion is not necessary, however a fact-finding exercise before implementing the Opinion may be conducted by the CA at the national level to determine the appropriate level of supervisory reporting.

The analysis provided by CAs demonstrates that current expense levels of IORPs are very diverse across the EU and at the same time the reporting is not comprehensive. Additional reporting on a look-through basis results in higher costs being reported than the data collected by those CAs that collect data based on annual accounts.

Based on the evidence from Member States where a full transparency requirements have been introduced, the benefits of full cost transparency outweigh the additional costs related to the reporting requirement.

IORPs' cost reporting to CA should be proportionate to the transparency and supervisory objectives of the opinion and take a risk-based approach.

GENERIC COST CLASSIFICATION

Four stakeholders agreed with the proposed cost classification (see Chart 3), recognising the importance to have a clear view of all the costs paid by the sponsor and paid by the IORP, as long as producing this information does not generate disproportionate additional costs. One respondent suggested to supplement the generic classification by distinguishing distribution costs separately. Of the five respondents that disagreed, all agreed with the classification of administrative and investment costs, but disagreed with the inclusion of sponsor, guarantees and transaction costs.

With regards sponsor costs, some agreed with the inclusion of sponsor costs but others disagreed. One respondent argued that the inclusion of sponsor costs ensures that the entire cost of running a scheme is recognised, while preventing schemes to reduce their cost by employers paying them directly. An additional benefit is that the employer will be able to gain insight in the costs compared to other IORPs. Another stakeholder noted that cost paid by the sponsor could fall within other cost categories - primarily administration costs.

According to some stakeholders, IORPs are not in a position to ask the sponsor for detailed information on costs, except if such information is publicly available. Neither the IORP, nor the CA, nor EIOPA, have the competence to require sponsor information on costs.

A number of stakeholder opposed the inclusion of transaction costs, noting that recording implicit transaction costs can be difficult and costly, especially for those related to the acquisition and disposal of fixed income securities. Transaction cost reporting can be subject to misinterpretation, as different methodologies for calculation exist, especially for investments through hedge funds.

Several stakeholders opposed the inclusion of costs of guarantees in investment costs.

EIOPA FEEDBACK

EIOPA considers that it is proportionate to require reporting transaction costs as the disclosure of transaction costs is commonly required within European cost disclosure frameworks (PEPP, PRIIPs, MiFID) and hence data should be available for IORPs to report on these costs. While EIOPA agrees that the diversity of methodologies to calculate transaction costs limits the comparability of data reported to CAs, IORPs should be able to explain to the CA what methodology is being used.

Distribution costs are disclosed as part of administrative costs, but IORPs are also expected, where relevant, to distinguish this specific cost item separately.

EIOPA believes that it is important to include sponsor costs in order to enable benchmarking across schemes, but reiterated in the opinion that the reporting of such costs should be proportionate. Both CAs and IORPs should be able to request information on costs paid indirectly by the sponsor. The reason is that once sponsoring undertakings cover or perform certain IORP activities, they become providers of an outsourced activity for which IORPs remain fully responsible for compliance.

EIOPA agrees that a separate reporting on the costs of guarantees is not necessary.

Chart 3: Do you agree with the generic cost classification distinguishing investment, transaction and administration costs as well as costs borne by the sponsor?, number of public responses

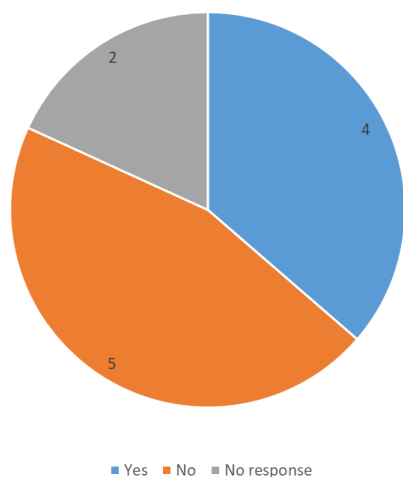
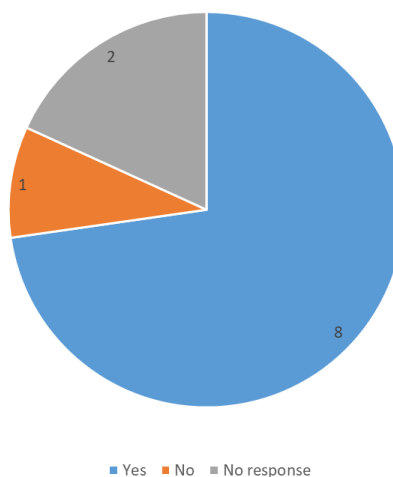


Chart 4: In your view, do the definitions in the annex cover the most important items of investment, transaction and administrative costs?, number of public responses



DEFINITIONS OF INVESTMENT, TRANSACTION AND ADMINISTRATIVE COSTS

Most stakeholders agreed that the definitions in the annex cover the most important cost categories (see Chart 4). OPSG partially agreed to the cost categories mentioned in the annex, but suggested to merge administration costs and distribution costs in one category.

One stakeholder suggested to include the payments made by any investment company, insurer or the IORP itself or on its behalf to third party intermediaries and scheme advisers, including commissions and inducements.

A couple of stakeholders noted that subscription and redemption fees of investment funds serve the purpose of covering for the underlying transaction costs borne by the investment fund relating to the buying or selling of financial instruments at the time of subscription or redemption by the investor in the fund. In the Netherlands, a full look-through on transaction costs is mandatory, with a (partial) correction on the subscription and redemption fees. If the IORP cannot obtain reliable data because of administrative complexity or lack of available data, the pension fund may resort to mentioning the subscription and redemption fees. In that case the 'comply or explain' principle applies.

Some other stakeholders argued that the cost categories and definitions focus on investment funds. In Germany, technical provisions for unit-linked policies represented only about 1% of the balance

sheet total of Pensionskassen in 2019.

EIOPA FEEDBACK

EIOPA clarified that additional cost of payments made by any investment company, insurer or IORP itself or on its behalf to third party intermediaries and scheme advisers, including commissions and inducements, should be reported under “distribution costs”.

Distribution costs are classified as part of administrative costs but reported separately from other administrative costs to ensure comparability between IORPs, as distribution costs are not relevant for all IORPs.

With regards transaction costs, IORPs should make best efforts to report on explicit and implicit costs. When data is not available, IORPs should provide estimates.

While for investment funds the opinion provides more specific guidance, based on MiFID cost disclosures, the cost classification applies for costs of all asset classes, including those that are not held in investment funds.

UNITS AND CURRENCY OF COST REPORTING

Only two stakeholder agreed with the draft opinion to report administrative, distribution and sponsor costs as a percentage of average assets under management (AuM) (see Chart 5). Many stakeholders, including the OPSG, emphasised that investment costs should be reported as a percentage of average AuM. However, this should not be the case for administration costs, which should be reported in the reporting currency as a cost per member. Some respondents requested that the term “average assets under management” be defined. One stakeholder suggested using the ‘Reduction in Wealth’ approach of the PEPP, but other respondents disagreed.

EIOPA FEEDBACK

EIOPA acknowledges the responses received to this question. EIOPA considers all costs should be reported in the reporting currency and as a percentage of average investment assets (including those related to third party investments).

In addition, administrative, distribution costs and sponsor costs should be reported in the reporting currency per participant. The CA should define whether the number of participants

is the combined number of active members and pension beneficiaries or is only composed of active members.

Chart 5: Do you agree that all costs should be reported as nominal amounts in the reporting currency and as a percentage of average assets under management?, number of public responses

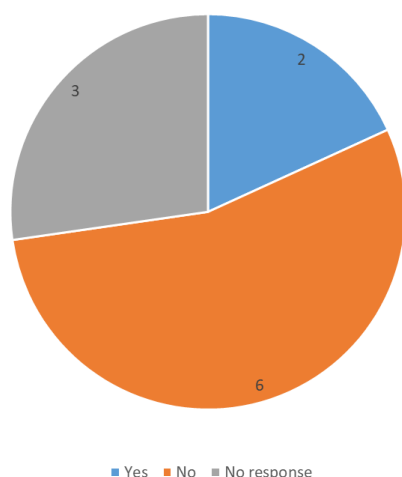
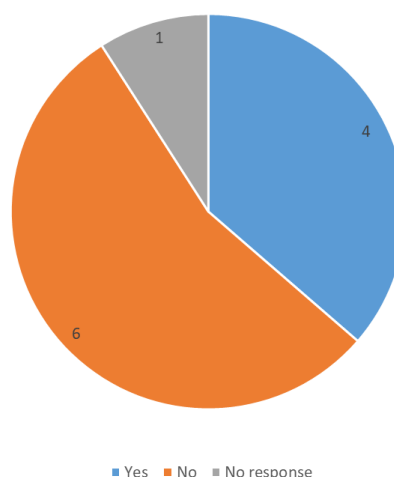


Chart 6: Do you agree that the cost reporting should also be at the level of the schemes/investment options where IORPs provide multiple schemes/investment options with different investment policies?, number of public responses



COST REPORTING AT THE LEVEL OF SCHEMES/INVESTMENT OPTIONS

Four stakeholders, including the OPSG, agreed with the draft opinion, six respondents disagreed with the expectation to report costs at the level of the schemes/investment options (see Chart 6). Those that agreed noted that reporting the costs at the level of schemes or investment options will allow to compare charges for servicing different portfolios.

Other respondents claimed that the substantial effort for the desired breakdown is disproportionate to the expected benefit for IORPs and the NCA. Some stakeholders argued that a more proportionate approach would be to limit the separate information requirement to certain cases. For example, where relevant per investment option, per group of employers, if IORPs service multiple employers from different groups, or per ring-fenced funds.

One stakeholder emphasised that the costs are borne at the level of the IORP and not at the level of the individual scheme.

EIOPA FEEDBACK

The opinion expects reporting at the level of the scheme/investment option, where this is possible, acknowledging that under certain circumstances that might not be possible, and where IORPs provide different schemes or investment options that differ in term of features, such as the investment strategy.

PRINCIPLES FOR THE COMPILATION OF THE COST INFORMATION

Most stakeholders agreed with the principles of matching, taxation, reporting currency, estimations and proportionality (see Chart 7). The OPSG agreed with all principles except for costs directly paid by the sponsors. Some respondents disagreed with the principles of look-through and inclusion of sponsor costs.

Look-through

A couple of stakeholders noted that if the look-through approach is also applied to transaction costs, a mechanism is needed for not double counting subscription/redemptions fees and underlying transaction costs.

Some stakeholders disagreeing to follow a look-through approach noted that there are limits to the look-through approach due to the multi-currency environment, the used exchange rate and rounding, making it difficult to express the costs in terms of euros.

Proportionality

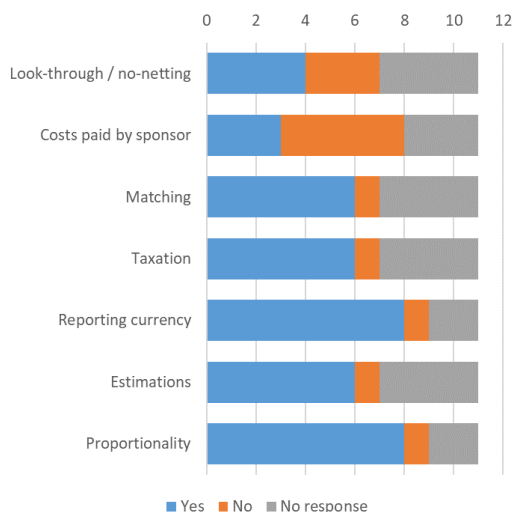
One stakeholder stressed the importance of a consistent application of proportionality across all CAs to avoid divergence. Another respondent proposed to specify the quantitative thresholds based on which NCAs may allow smaller IORPs to “soften” the principles for compiling cost information.

Estimations

One stakeholder argued that notional percentages are too granular and proposed to use best estimations instead. However, another respondent noted that allowing for estimations will lead to a diverging approach amongst CAs and firms and hinder comparability of data.

EIOPA-BoS-21/444

Chart 7: Do you agree with the principles for the compilation of information on costs and charges?, number of public responses



EIOPA FEEDBACK

EIOPA considers it to be essential that cost data are reported based on a look-through approach in order to address the issue of hidden costs. With regards proportionality, EIOPA expects CAs to allow IORPs to apply a proportionate approach to the compilation of the cost data. This proportionality assessment will likely diverge across national markets, due to the specificities of IORPs in each market.

MIFID II DISCLOSURE TO FACILITATE THE SUPERVISORY COST REPORTING BY IORPS

Stakeholders’ views were split with regards the use of MiFID II disclosures to facilitate the supervisory cost reporting by IORPs (see Chart 8).

OPSG agreed considering that MiFID II is a reasonable reporting standard, especially for fund-based investments. Another stakeholder argued that most asset managers are already well-equipped to provide detailed costs and charges information on their investment services. For those IORPs that use the services of insurance companies, the asset management arms of those institutions should already be providing such information. One responded noted that MiFID II distinguishes most of the data required for the IORP cost reporting in the Netherlands. Key to further alignment is having a

harmonisation of definitions and methodology.

Five associations highlighted that not all IORPs invest through asset managers which are subject to MiFID II. In particular, stakeholders from Germany argued that IORPs invest in asset classes, which are not subject to MiFID II, such as AIFs or direct investments in fixed Income instruments. Some respondents noted that IORPs are designated professional investors under MiFID II, which means that they do not automatically receive the information required by MiFID II. These stakeholder proposed that cost of implementation should be part of a pilot study.

Some other respondents raised concerns that IORPs should report the data according to the MiFID II template to their supervisor. This would mean that IORPs would have to ask for the data from their service providers, potentially leading to an increase in costs – which in the end would have to be borne either by the members or by the sponsoring undertakings. In the first case, this would lead to lower pensions, and, in the second case, this would mean that voluntarily granting an occupational pension becomes less attractive for employers. In addition, this would at least partly revoke the status of IORPs as professional investors, which would run counter to MiFID II that is currently in force. Requiring reporting according to a MiFID II template from IORPs is problematic if the service providers they work with are not subject to MiFID II. A situation where such a template leads to additional costs without benefits for IORPs must be avoided.

EIOPA FEEDBACK

EIOPA acknowledges the responses received to this question and clarifies that the use of MiFID disclosures to report on investment and transaction costs for assets classes covered by the MiFID requirements is voluntary. Professional investors are equally entitled to receive cost disclosures under MiFID as retail investors. With regards assets outside of the scope of MiFID II, most notably costs and charges related to direct investments in property and private equity, EIOPA has include a reference in the draft opinion to the global standard for fees and costs provided by the European Association for Investors in Non-Listed Real Estate Vehicles and guidance provided by the Institutional Limited Partners Association respectively.

Chart 8: Do you agree that the possibility under MiFID II to request investment and transaction cost data from portfolio managers and transaction counterparts will facilitate the supervisory cost reporting by IORPs?, number of public responses

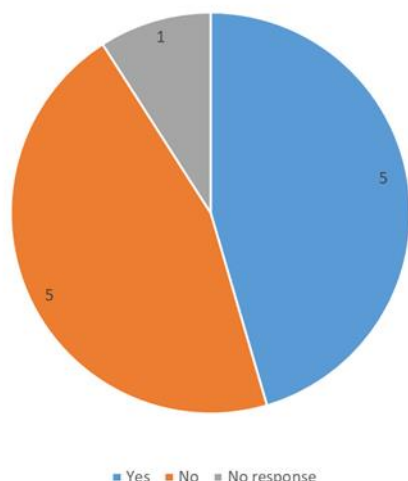
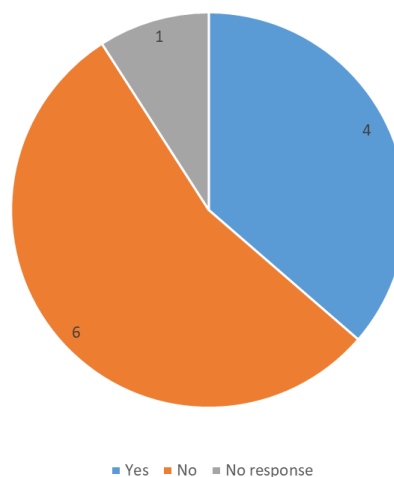


Chart 9: Are you aware of other cost classifications used by IORPs to collect information on costs and charges from portfolio managers and transaction counterparts?, number of public responses



OTHER COST CLASSIFICATIONS USED BY IORPS TO COLLECT COST INFORMATION

Most stakeholder were not aware of other cost classifications to collect cost data (see Chart 9). Two respondents replied that there is no cost classification that works well for all IORPs. In the Netherlands, IORPs refer to the cost classifications as laid out in the annexes of the Federation of the Dutch Pension Funds’ Recommendations on Administrative Costs. These are the common cost classifications for reporting in the Netherlands and used for collecting cost information as well, next to the MiFID II template (EMT) and industry standards (eg. ILPA, INREV).

OPSG recommended to take into consideration the EIOPA definition of “Investment Management Costs” outlined in its 2021 Report on Costs and Past Performances (Box 5: “Drivers of costs in the IBIPs markets”, p. 38): “Costs item that can be categorized as investment management are: transaction related costs, payment of investment service. For unit-linked and hybrid products there can also be: costs due to the unit valuation and fund accounting services, fund related governance, regulation and compliance costs, fund related property management and headcount costs, performance fees, carried interest.”

One respondent indicated that for those investing in funds the Total Expense Ratio (TER) of a fund is often used as a key disclosure to members. It is readily available from UCITS managers and the TER would be an equally satisfactory reporting figure for those IORPs that use collective investment funds. Another respondent proposed the three cost categories investment costs, acquisition costs, administrative costs – without sponsor costs – in accordance with the existing reporting

requirements.

EIOPA FEEDBACK

The classification provided in the opinion is aligned with the MiFID II disclosures, industry standards (eg. ILPA, INREV), but also the recommendations on administrative costs developed by the Federation of the Dutch Pension Funds.

The reporting of transaction costs separately from other costs related to IORPs investments is consistent with common EU regulatory practice and will benefit the interpretation of the cost data.

The Total Expense Ratio (TER) recognises investment costs related to UCITS but does not include transaction costs and, hence, it is not sufficient for reporting on costs related to investments according to the look-through approach.

TEMPLATE TO FACILITATE THE COLLECTION OF INVESTMENT COSTS BY IORPS

Most respondents agreed that the bespoke template will facilitate the collection of costs (see Chart 10a). OPSG agreed, but only partially. The extra costs IORPs would incur in order to receive such a breakdown from investment firms should to a reasonable extent be limited, because the additional costs would in the end have to be paid by beneficiaries and/or sponsoring undertakings.

EIOPA FEEDBACK

The template should be completed by asset managers with the costs incurred related to the IORP's investments. Asset managers should be able to disclose the costs in a transparent way at a granular level, also considering that the template is compatible with the underlying data to be provided under MiFID II requirements. The use of the template is not compulsory.

Chart 10a: Does in your view the investment cost template in Annex 3 facilitate the collection of costs by IORPs from portfolio managers?, number of public responses

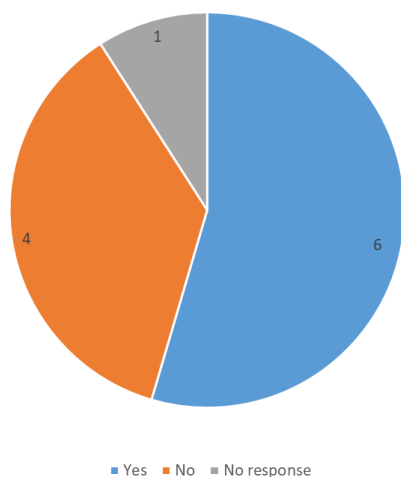
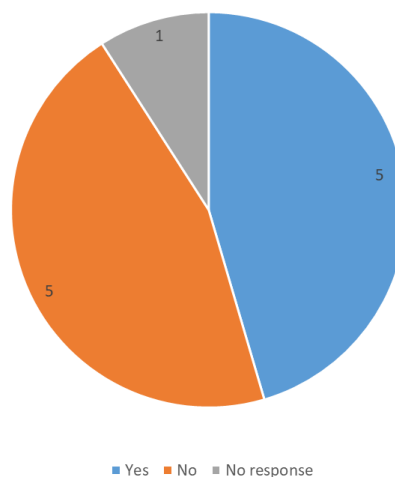


Chart 10b: Do you agree that the more detailed breakdown of costs enhances the understanding of IORPs in the underlying investment cost structure?, number of public responses



More detailed breakdown of costs to enhance the understanding of IORPs in the underlying investment cost structure

Stakeholders had different views on whether the more detailed breakdown would enhance IORPs' understanding of their investment cost structure (see Chart 10b). Most respondents agreed that the template will provide a clear breakdown of all costs, especially when investments are limited to investment funds. However, stakeholders also indicated that it is a significant task to compile all this information and that this could entail further costs.

One stakeholder put forward that the required level of detail under "Transaction costs" would be very difficult to obtain for trustees. Investment managers typically do not provide "implicit" transaction costs and obtaining "explicit" transaction costs over the course of a year could be a very onerous task for investment managers, in particular for a DC scheme with potentially hundreds of transactions during the year.

EIOPA FEEDBACK

The use of the template is voluntary. Its purpose is to ensure that both the IORP, and the CA upon request, are able to validate the data reported, being able to assess that the data

provided by service providers is complete.

SUPERVISORY DISCRETION TO DETERMINE THE LEVEL OF COST REPORTING REQUIREMENTS FOR DB IORPS

Most respondents agreed that supervisors should have the discretion to determine the level of cost reporting requirements for DB IORPs (see Chart 11).

In particular, seven stakeholders supported the possibility for CAs to give a full exemption for certain DB IORPs. Two respondents, including the OPSG, opposed a full exemption.

Those in favour of the possibility to provide a full exemption argued that IORPs which have other mechanisms to keep costs down should be exempted from the scope of the opinion. This is for example the case for DB schemes where the employer is liable to ensure that a given pension promise is met. As such, the sponsoring employer has an interest in ensuring that the IORP operates cost-efficiently, since this lowers the risk of having to pay additional contributions to make up potential shortfalls in the future. These stakeholders considered that this constitutes a strong incentive to ensure cost-efficiency and that for such IORPs no further measures such as reporting or disclosure of costs are needed. Some of those stakeholders called for a thorough stock-taking exercise to allow NCAs to decide on the scope and granularity of the cost reporting and the reporting frequency.

Those respondents opposing the possibility of a full exemption from the costs reporting, argued that an exemption would jeopardise the protection of members and beneficiaries. These stakeholders supported a proportionate approach to the cost reporting but through other means, like the frequency and the granularity of costs reporting (e.g. only investment, transaction, administrative costs). OPSG advised EIOPA in the context of proportionality to consider simplifications for non-for-profit IORPs (i.e. IORPs not having any third party equity holders), IORPs with compulsory membership and IORPs which do not provide members with any investment options. For these IORP categories, the potential negative effects of the simplifications on the protection of members and beneficiaries would be relatively limited.

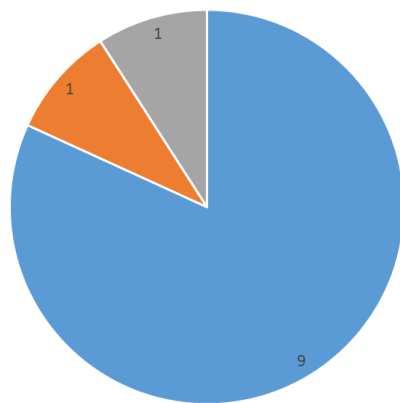
One stakeholder put forward that if supervisors in different Member States opt for a different application of the opinion, the primary objective of convergence of supervisory reporting standards will (partly) not be met. In particular, there should be little room for divergence on definitions (accurateness) and scoping (completeness).

EIOPA FEEDBACK

EIOPA agrees that IORPs' cost reporting should be proportionate to the transparency and supervisory objectives of the opinion and take a risk-based approach.

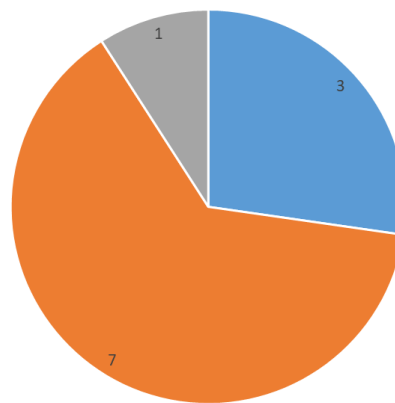
In particular, the opinion specifies that CAs should have discretion to determine the level of cost reporting for DB IORPs, e.g. a lower frequency of reporting, reduced scope of cost reporting or full exemption for certain DB IORPs, where certain DB IORPs should be considered non-commercial small or non-commercial closed DB IORPs.

Chart 11: Do you agree that supervisors should have discretion to determine the level of cost reporting requirements for DB IORPs to ensure an approach that is proportionate to the objectives?, number of public respondents



■ Yes ■ No ■ No response

Chart 12: Do you agree that supervisors should conduct comparative analysis of IORPs' cost levels to assess efficiency, affordability and value for money offered to members and beneficiaries?, number of public respondents



■ Yes ■ No ■ No response

COMPARATIVE ANALYSIS BY SUPERVISORS OF IORPS' COST LEVELS

Seven stakeholders disagreed that CAs should do comparative analysis of IORPs' cost levels (see Chart 12). These respondents argued that not CAs, but employers, labour unions and other representatives of employees should assess the efficiency, affordability and value for money offered to members and beneficiaries.

Three respondents agreed, including the OPSG, that supervisors should conduct comparative

analysis of IORPs' cost levels to assess efficiency, affordability and value for money offered to members and beneficiaries. In particular, some stakeholders agreed that supervisory actions are needed to assess the "value for money", particularly in the area of long-term savings under the challenging economic conditions of ongoing low interest rates, increasing inflation, volatile stock markets, pension plans with defined benefits / minimum guarantees and the additional impact of costs on the real returns for the beneficiaries. Another stakeholder put forward the view that supervisors can take action on all the aspects that influence the costs that affect the profitability of the IORP.

EIOPA FEEDBACK

CA supervisory powers cover the assessment of efficiency and affordability of occupational pension schemes and the value for money offered to members and beneficiaries. CAs are empowered to monitor schemes, examine particular subject areas to identify risks and act when they have concerns.

DISCLOSURE BY SUPERVISORS AND IORPS

Four respondents, including the OPSG, are in favour of the publication of aggregated cost levels and results of analyses (see Chart 13a). Six respondents do not agree that supervisors should be encouraged to publish aggregated cost levels and the results of the comparative cost analyses. Accordingly, four respondents agreed that supervisors should encourage IORPs to publicly disclose their cost levels, while six stakeholders disagreed (see Chart 13b).

A number of stakeholders argued that the organisation of an IORP's activities is fully tailor-made depending on the sponsor's appetite to keep part of the operational activities in-house or not. Given the tailor-made character, by definition, there is no comparability of costs. The publication of cost data by individual IORPs would lead to comparisons and to discussions whether the cheapest schemes are considered the best. This would contradict the concept of value for money, where costs are related to what is delivered in return and what service is provided. Incentivising schemes to try to be the cheapest is neither in the interest of the sponsoring employers, nor in the interest of members and beneficiaries. Therefore, the decision to publish aggregated cost levels and comparative cost analyses should be left at the pure discretion of each supervisor.

In contrast, one respondent noted that in the Netherlands the supervisor already publishes the cost ratios for administration, investment and transaction costs, including the name of the pension fund. In an explanation, the IORP explains which factors determine the level of the different type of costs. Another stakeholder argued that IORPs are in a very strong competition with other providers of

pension products or long-term savings, and in consequence, from a consumer protection perspective, comparability of costs constitutes a fundamental and crucial element for any “informed decision making” by retail customers.

One stakeholder called on EIOPA to extend the encouragement of the publication of cost data also to return data. Another respondent argued that publication should occur if local non-IORP institutions are also required to publish similar costs data. Otherwise there will be an unlevel playing field with some of the local older traditional occupational pension arrangements. According to this respondent, many of those are subject to high charges, benefiting from continuing their public opaqueness and restricting competition and advancement of better value products for existing members.

Chart 13a: Do you agree that supervisors should be encouraged to publish aggregated cost levels and the results of the comparative cost analyses?, number of public responses

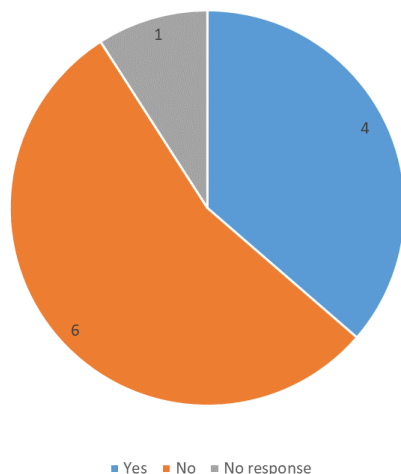
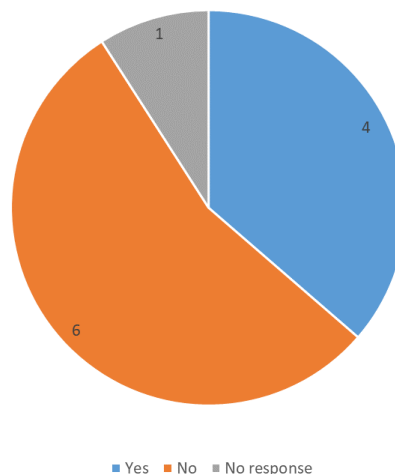


Chart 13b: Do you agree that supervisors should encourage IORPs to publicly disclose their cost levels?, number of public responses



EIOPA FEEDBACK

When considered necessary, the publication of aggregated data can be done by clusters of similar IORPs or schemes to ensure comparability. CAs should encourage, not require, IORPs to disclose the reported costs and charges to the sponsor and to the public.

OTHER COMMENTS

A number of respondents put forward under the other comments that the suggested approach in the draft opinion ignores the social dimension of many pension schemes. In many Member States a pension scheme is not a “product” that is sold by a financial institution. The heterogeneity of IORPs should be adequately taken into account when defining requirements as well as when considering what is addressed at EU and what at national level. This includes adequate leeway for NCAs and an appropriate consideration of the principle of proportionality.

One stakeholder suggested that “value for money” should also take into account other differences, such as the decumulation phase (lump sum vs. life-long annuities) or coverage of death or disability.

A stakeholder noted that the investment fund sector has international standards because it is internationally oriented, which is not the case for the pension sector. Another respondent noted that a significant amount of the investment and transaction reporting would fall on asset managers to produce, but that in some cases the investment managers are not always based in the EU and therefore have no direct link to EU-regulation.

With regards the scope of the opinion, it was argued that insurers providing occupational pension schemes should also be subject to the supervisory reporting of costs and charges.

Last but not least, one stakeholder considers the opinion on cost reporting to be an important initiative because “only what is measured can be managed”. Proportionality should be applied in situations where it is obvious that the costs will be higher than the potential gain.

EIOPA FEEDBACK

EIOPA takes note of the comments received. EIOPA referred to the service offered as an element of the “value for money” assessment. With regards decumulation option, EIOPA acknowledges the relevance of this element in the opinion to take it into account when comparing IORP costs.

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