

Reflection and foresight

How have your first 18 months as chair of EIOPA been?

They have been exciting and it's a wonderful job that's meaningful to me. There is a quiet pleasure in enjoying your work. After over a year, I have a base on which to lean; I've been through the first cycle, and I'm more aware of all of the issues and different meetings.

In the beginning there was lots of excitement because everything was new. The energy is still good, but it's getting more focused. It's a good feeling to serve society to the best I can and that's an additional value to the job.

What were your main targets when coming into the role?

Top of my list was a responsibility as a female in this role to support diversity, and more than just in gender. Simply being in this position and having a broader audience was not just an ambition but a responsibility. Secondly, I wanted to build the authority up further. Finally, I wanted to address gaps, such as the protection and pension gaps. I come from the Netherlands, where citizens are so used to having a pension, but if you look at the EU in general, there is still 20 per cent of people who are at risk of poverty in old age. We need to make sure that these numbers go down.

What are your goals for the next 18 months?

First of all, there is the monitoring of the market. We are in a challenging macroeconomic environment and that needs careful monitoring, particularly the impact of inflation. In real terms, for both defined benefit (DB) and defined



EIOPA chair, Petra Hielkema, sits down with Jack Gray to reflect on her first 18 months in the role and discuss EIOPA's aims for the next 18 months

contribution (DC) schemes, it's hard to reach the high values that you want to achieve as an IORP and that's something for us to monitor. In general, the move to high yield that is happening is positive, but the road can be bumpy. The protection gap is also something we want to address, and again diversity.

Sustainability and digitalisation are also high on the agenda, and pension funds as long-term investors have a key role to play. They have a responsibility not just as an investor but towards their consumers. Then you have the digital future, where the occupational pension fund market has possibilities in how they reach their consumers.

Looking at monitoring the market, data will be key. Also we will be monitoring the move from DB to DC and what that means for consumers, especially in a time of high inflation. We are also building a risk dashboard specifically for IORPs. The ambition is to feed that back in sets of information that are relevant to their markets.

Petra Hielkema

On the sustainability side, it will be important to assess what the risks are, particularly transition risks and how pension funds can cope with this. Climate stress tests will be an important part of that. There is an important one coming up at the end of this year and beginning of next year where we will do a joint stress test with the European Central Bank, European Banking Authority (EBA) and European Securities and Markets Authority (ESMA).

The implementation of the Digital Operational Resilience Act is going to be a key challenge. We will do that with the EBA and ESMA. We hope that will bring some benefits for the industry, including IORPs.

Then we have the IORP II Directive review. Sustainability will be key; we want to say something in our advice on the directive that we are drafting on how that works with fiduciary duty and the wishes of consumers to have green investments. Then, greenwashing, which is broader than just pension funds, but it will be important. With that you get to the other two topics that will be important in the IORP II review: How do we inform pension fund members, and what will digitisation bring? Part of our potential focus will shift from prudential to conduct. Products have to be consumer centric; we will make sure we look at this. Finally, cross-border IORPs. We all know that the market there has not taken off yet, and neither has PEPP so far.

Overall, in the review, we want to keep things fit for purpose and address some of the areas that are not working. We need to reflect the shift from DB to DC and the need for consumer protection. We are amazed that in the banking regulation the requirement for gender diversity on boards is included, but this is absent from IORP II. For us, that is not

acceptable. I'm sometimes amazed by the pushback I get on this.

What have you found most challenging about being EIOPA chairperson?

Overall I was really blessed. As a previous De Nederlandsche Bank employee, I have been involved with EIOPA and IORPs since 2008, and I know many of the people. A big challenge was Covid-19. Here in the state of Hessen in Germany, the mandatory home working lasted until the end of March 2022. On the one hand it was nice, because when doing engagements you had a bit of control on the length of discussions. However, having to do everything virtually was a challenge.

I didn't think it was going to be difficult, I realised it was going to be a lot; both in terms of how many people want to reach out to you and making choices. Fortunately, I have a great team and I can get support from other people. A big challenge was that I used to be a national supervisor; I'm used to having national powers. At EIOPA, you are a supervisory authority, and you can step in, but you are not a national supervisor. Now I have to talk to national supervisors, and sometimes they do things and sometimes they don't. I had to get used to that.

Do you have any words of advice for pension professionals reading this to ensure they are meeting EIOPA's expectations?

The first thing is that we are in need of a sustainable transition, and pension funds can play a positive role here. We need to accept that it's a transition and green finance is not about being green, it's about becoming green. We need to think about how we can do that, keeping in mind that not every investment might be green but could be motivated towards being green

"SUSTAINABILITY AND DIGITALISATION ARE HIGH ON THE AGENDA, AND PENSION FUNDS AS LONG-TERM INVESTORS HAVE A KEY ROLE TO PLAY"

through stewardship.

Secondly, keep an eye on your members and their preferences. Embrace the digital tools to understand what they are and how you can communicate with them. Do not go for the commercial green choice if you are not sure; but if you are sure, you are sure. Because we are at the start I would not be surprised by low numbers, but I would be concerned if numbers didn't go up.

What is your opinion on how the climate stress tests went at the end of last year?

Stress-test scenarios are there to understand the risks, and for that it was helpful. I'm fine with the response of the market, but let's be frank, it did provoke a sizeable drop in assets of 12.9 per cent. It showed that there is a sensitivity to the transition. Those who thought the sensitivity was less than expected still need to do a lot because there's a gap to cover. As long as it helped to understand the size of the action needed and it's doable, then it's a positive signal.

If it signalled that 'it's not as bad we thought, continue as usual', that would be a bad appreciation of what we tried to communicate. The gap's not small, but it's a size that we can manage if we start acting today. A lot still needs to happen, and the financial industry cannot deliver the transition on its own. But it can play a positive role by setting an example and doing it. ■