



Gabriel Bernardino
Chairman

Mr Jonathan Faull
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Dear Mr ~~Faull~~, *Dear Jonathan,*

EIOPA advice on the review of the IORP Directive 2003/41/EC

I am pleased to attach EIOPA's response to the Commission's Call for Advice on the review of the IORP Directive, as requested in your letter of 7 April. The advice is accompanied by an opinion from the Occupational Pensions Stakeholders Group.

EIOPA advice seeks to provide concrete technical input on the questions posed. Where options are presented in the summary of the advice, these are limited to those areas which need to be tested in EIOPA's quantitative impact study (QIS) and/or a wider Commission's impact assessment before a firm proposal can be made.

The key proposal in EIOPA's advice in respect of valuation and capital requirements is the concept of a holistic balance sheet as a means of developing a Europe-wide risk-based supervisory regime for IORPs. This approach will enable IORPs to take into account the various adjustment mechanisms (conditional indexation, reduction of accrued rights) and security mechanisms (regulatory own funds, sponsor support, pension protection funds) in an explicit way. In other words, the approach proposed by EIOPA is to acknowledge the existing diversity of occupational pension systems in the EU Member States, while capturing all these systems into a single balance sheet.

Besides the quantitative requirements, EIOPA's advice also contains proposals to enhance qualitative requirements in such areas as governance and risk-management. These have been modeled on Solvency II with the necessary adjustments for IORPs. EIOPA advice calls for the strengthening of fit and proper criteria and for a proportionate, i.e. adjusted for the nature, size and complexity of IORPs, implementation of robust internal and external controls and sound risk management frameworks.

In addition, our advice addresses information provision and member protection, particularly in defined contribution (DC) schemes. EIOPA believes that information needs to be relevant, correct, understandable and not misleading. EIOPA calls for the introduction of a Key Information Document for all defined contribution schemes which would allow members to have confidence in the scheme irrespective of where it is located in the EU.

The advice follows an extensive period of consultation with stakeholders, with the first one, limited in scope, taking place in July and August last year and the second, full one, between last October and 2 January this year. 170 responses were received from 14 Member States and 20 European and international organisations in the second round.

We are also publishing on our website today our reasoned feedback on the consultation responses together with all the individual submissions.

We stand ready to provide you with any further information and clarifications you may require on any aspect of our advice and look forward to further close work with you on the review and on the development of a robust and modern regulatory and supervisory framework for safe and sustainable occupational pensions in Europe.

We have already started work on the next step - the Quantitative Impact Study where we will explore the possible impact on the financial requirements for pension funds that the holistic balance sheet and the various policy options within that approach might have. A separate letter outlining our proposed approach and timeline will be on its way to you shortly.

Yours sincerely



Gabriel Bernardino

cc: Karel van Hulle, Head of Insurance and Pensions Unit, DG Internal Market & Services
Jung Lichtenberger, Insurance and Pensions Unit, DG Internal Market & Services