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PRESS STATEMENT



PROPOSAL FOR A SOLVENCY II DIRECTIVE

IORPs¹ WON'T ALLOW UNDERMINING OF WORK PLACE PENSIONS

The European Federation for Retirement Provision (EFRP) calls upon European policymakers to reflect on the implications of imposing inadequate short term security requirements for long term investors. The Federation believes that more research and analysis is needed before deciding whether to revise the funding and solvency regime for IORPs as laid down in Directive 2003/41/EC.

More specifically, the federation calls on the European Parliament to support their Rapporteur Peter SKINNER in his approach of making sure there are no unintended spill-over effects of the Solvency II Directive on to pension funds.

EFRP Chairman Angel MARTINEZ-ALDAMA said:

“Imposing Solvency II funding rules on workplace pension funds would result in lower pensions for millions of EU citizens. Applying such rules to Defined Benefit (DB) and hybrid schemes would simply make them too expensive for employers to offer thereby undermining the long-term safety and sustainability of high quality workplace pension schemes.”

“By adopting the IORP Directive 5 years ago, European policy makers decided to create a separate and distinctive set of EU-level rules for workplace pension funds (IORPs) which recognise that IORPs and insurers operate on different principles and provide member security in different ways. Any changes to the funding and solvency requirements of IORPs need to be made within the context of the IORP Directive.”

¹ Institutions for Occupational Retirement Provision, more commonly referred to as « pension funds ».

These are some of the key comments made in an EFRP position paper on the funding and solvency principles for IORPs. The paper has been written in the context of calls for extending the proposed Solvency II Directive to IORPs or to transpose insurance principles into IORP legislation. The paper is available from www.efrp.org.

In November 2007 the Federation warned already that Solvency II is not fit for IORPs and expressed its concern on the possible deliberate extension of Solvency II rules to IORPs. Those institutions – and their activities – are different from life insurance under a number of aspects which are substantiated in the newly released report.

In particular:

- IORPs have a plan sponsor (usually employers such as corporations, local authorities, universities) providing backing for the pension promise;
- IORPs often include adjustment mechanisms that allow the scheme to be altered through its lifecycle in order to best meet the interest of all members – active and deferred;
- IORPs have a governance structure involving the Social Partners or employee representatives – this ensures that the schemes are operated in the best interest of the pension scheme members;
- IORPs tend to be not for profit organisations meaning there is no need to protect plan members from activities which are primarily undertaken in the financial interests of shareholders.

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ABOUT THE EFRP

The European Federation for Retirement Provision represents the various national associations of pension funds and similar institutions for supplementary/occupational pension provision. Its membership at large consists of institutions for occupational (2nd pillar) retirement. Some of them are also operating purely individual pension schemes (3rd pillar)

The EFRP has **members** in most EU-15 Member States and other European countries². In the Central & Eastern European region it affiliates Hungary, Slovakia as well as Croatia.

Within EFRP the **Central & Eastern European Countries Forum (CEEC Forum)** has been established (26 October 2006) to discuss issues common to pension systems in that region. The Forum may be viewed as a mechanism to phase in CEEC industry associations into the regular EFRP Membership while taking on board their specific needs for information and representation at EU level.

In some Member States up to 90-95 % of the work force have their occupational pension funded through EFRP membership (e.g., Denmark, Netherlands and Sweden). In countries such as Germany, Spain, Ireland, the United Kingdom 80 % of the occupational pension provision is funded by EFRP members. Most EFRP members are non-profit making institutions. Their governance structures usually include the scheme members and beneficiaries representation. Many of them are managed on a paritarian basis between unions/employees and employers.

73 million EU citizens are covered for their occupational pension plan by EFRP Members.

Through its Member Associations the EFRP represents €approximately **3,8 trillion** of assets (2006) managed for future occupational pension payments.

EFRP has observer status with OECD and sits on several EU Commission advisory bodies such as the Pensions Forum and the Taxation Expert Group on Savings.

The Federation has a two seat representation on the Consultative Panel of the **Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS)**.

² EU Member States: Austria, Belgium, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Slovakia, Sweden, UK.
Non-EU Member States : Croatia, Guernsey, Iceland, Norway, Switzerland.