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PRESS STATEMENT



PROPOSAL FOR A SOLVENCY II DIRECTIVE

EFRP CONCERNED OVER POSSIBLE IMPLICATION FOR IORPs

At the European Pension Funds Congress on 21 November in Frankfurt, the European Federation for Retirement Provision (EFRP) voiced its concern about the proposal for a Directive 'Solvency II'. Speaking on behalf of the federation was Mr. Wil BECKERS of DSM Pension Services and Chair of the EFRP working group shadowing the Solvency II initiative.

Wil BECKERS conceded that the proposal for a Solvency II Directive heralds a new era in insurance supervision: However, he contested whether IORPs – subject to their own Directive which was only fully implemented in July 2007 – are in need of a review of their prudential framework along with insurers. The IORP Directive (Dir. 2003/41) already contains most of the principles now proposed for insurers under Solvency II. "The three pillar structure of Solvency II may be non-apparent but it surely is there and only needs to be uncovered," BECKERS affirmed.

Although the proposal states that it targets insurance companies its legislative component does not make this crystal clear. Care should be taken that the Solvency II proposal does not unintentionally affect IORP regulation and workplace pension systems in Europe.

Of even greater concern to EFRP is 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. Wil BECKERS cautioned that "a quantitative impact study has indicated that if Solvency II rules were to be applied to IORPs, they would have to increase assets by around 40-60 % of liabilities or, alternatively, sell off equities in order to reduce risk. "IORPs are of a particular nature and Solvency II

does not recognise those differences since it is designed for insurance business lines”.

Apart from those rather catastrophic simulation results, Wil BECKERS, also highlighted the broader issue of risk diversification within the financial system itself. He recommended that “if we want to avoid exaggerated and simultaneous responses to market shocks, we should spread the systemic risk across sectors based on distinct solvency rules”.

EFRP is aware that art. 17, par. 2 of the IORP Dir. may become void due to the reference it contains to the Life Assurance Directive which is to be repealed by the new Solvency Directive. This should not be viewed as overly problematic and EFRP is convinced that a solution can be found to avert such a situation without overhauling the IORP Directive.

The presentation is available at efrp@efrp.org.

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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 countries¹. 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 **3,6 trillion of assets (2005) 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)**.

¹ 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.