



eiopa
EUROPEAN INSURANCE
AND OCCUPATIONAL PENSIONS AUTHORITY

Financial consumer protection in the private pension systems

OECD/IOPS Global Forum on Private Pensions
Berlin, 30 October 2015

EIOPA: objectives and powers



Objectives

Prevent regulatory arbitrage and promote equal conditions of competition

Ensure appropriate regulation and supervision of risk taking by the (re)insurance and occupational pension industry

Ensure integrity, transparency, efficiency and orderly functioning of financial markets



Enhance consumer protection

Strengthen international supervisory coordination

Improve functioning of financial markets, incl. a sound effective and consistent level of regulation and supervision

Powers

- ✓ Develop **draft technical standards**
- ✓ Issue **guidelines and recommendations**
- ✓ **Settle disagreements** in cross-border situations
- ✓ In certain cases, **remedy emergency situations**
- ✓ Monitor correct **application of EU law**
- ✓ Methodologies for **products and distribution**

EIOPA's current work on pensions



1 st pillar	2 nd pillar	3 rd pillar
<p>Not in EIOPA's scope. However work on personal pensions concluded that 1st pillar bis arrangements found in certain member states met all elements of PPP (personal pension) definition</p>	<p>Sustainability:</p> <ul style="list-style-type: none"> • Holistic balance sheet – common measurement and take account of security mechanisms • Stress Test • 2nd quantitative assessment <p>Pension scheme members:</p> <ul style="list-style-type: none"> • Information <ul style="list-style-type: none"> • "Max" report • Tools used by pension schemes to reach their members (Q1 2016) • Pension benefit statement • Costs <ul style="list-style-type: none"> • Report on costs and charges • value for money for pensions scheme members (start 2016) • Investments <ul style="list-style-type: none"> • Investment decisions • Default investment options • Decumulation phase • Mobility <ul style="list-style-type: none"> • Good practices on transfers on occupational pension rights <p>Internal market:</p> <ul style="list-style-type: none"> • ITS on prudential legislation • Enhanced market development report • Pensions scheme database and registers <p>Force for improvement:</p> <ul style="list-style-type: none"> • Peer reviews on IORPs (authorisation, SIPP) • Good practices for industry training standards for pension scheme trustees (start 2016) 	<p>Internal market:</p> <ul style="list-style-type: none"> • Advice on personal pensions <ul style="list-style-type: none"> • Pan European Personal Pension (PEPP) • Provider and product regulation • Member protection <p>Disclosure:</p> <ul style="list-style-type: none"> • Review in four years of exclusion of personal pensions from PRIIPS

Pensions is a consumer protection issue



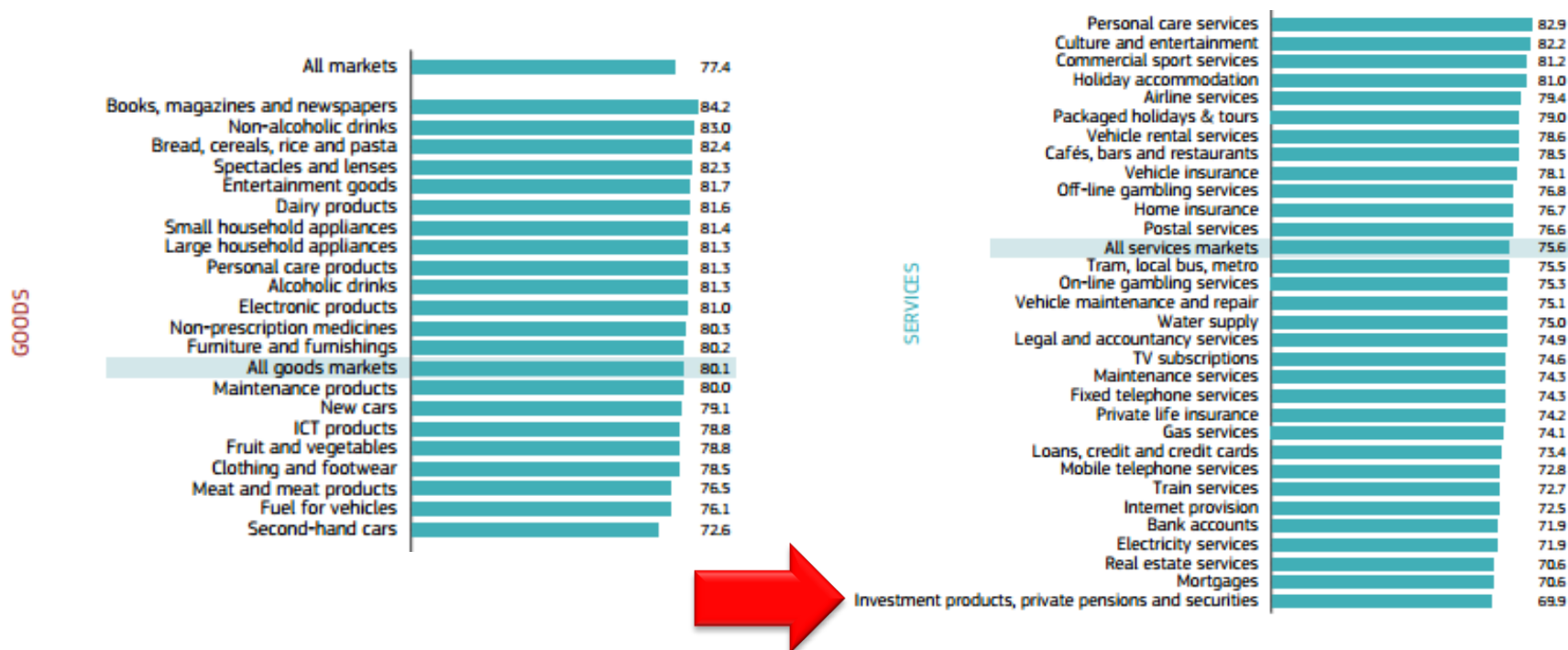
Personal (3rd pillar) pensions

- Inverse production cycle
 - Money in before benefits (much) later
- Complicated
- Potentially profound effects on retirement income
- Customers dispersed and potentially cross-border
- Not trusted; and with significant information asymmetries

Occupational (2nd pillar) pensions

- Who looks after employee when lots of employers sponsor the scheme?
- Even when single sponsor risk of conflict of interest
- Not all sponsoring employers, trustees and/or IORPs have capacity to govern optimally

Pensions not trusted.....an example



Provision of information to members

- Uses behavioural economics insights about what sort of information is most likely to be absorbed
 - Comparison with what others are doing
 - Average pension scheme member likely to be short term oriented
- What might not work
 - Where purpose of information is to reduce legal liability rather than aid financial decision making
 - That providers may find it beneficial for information to be compliant but confusing e.g. to disguise costs

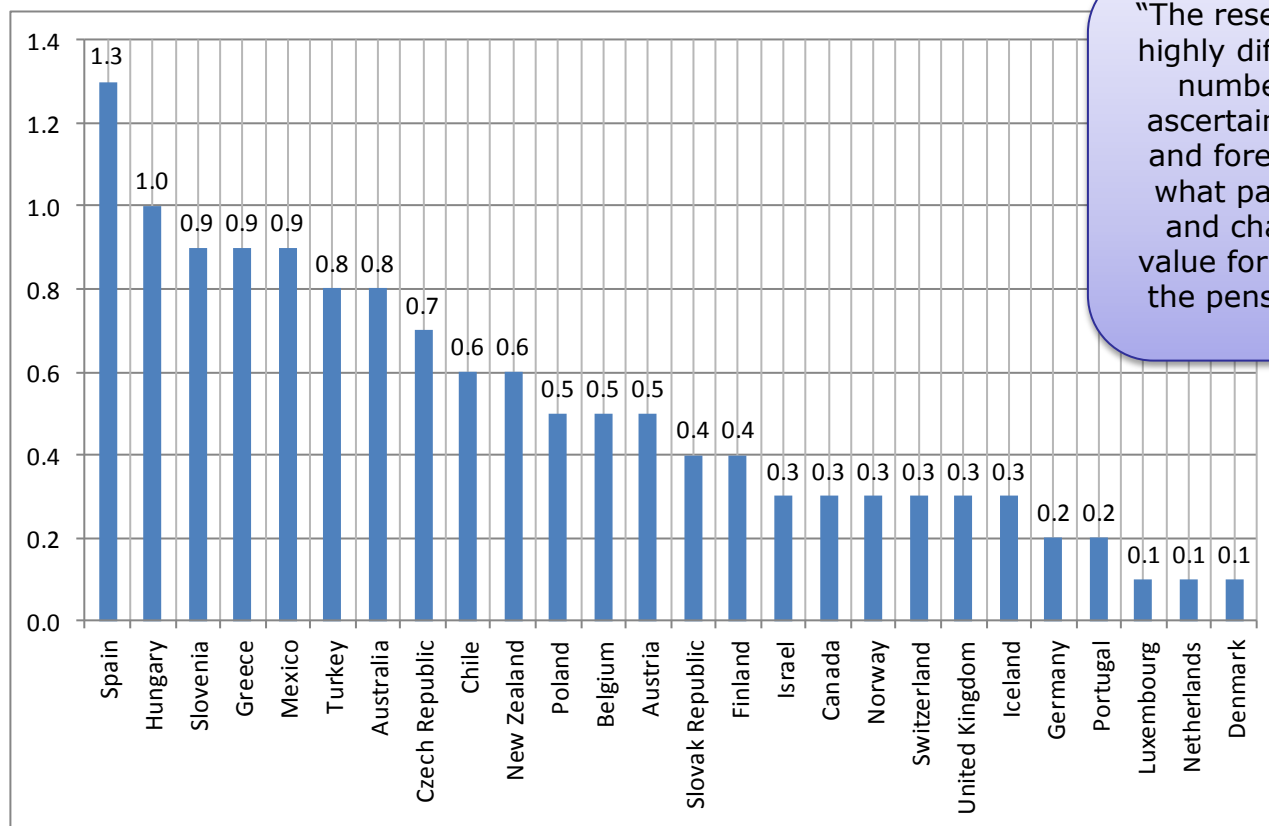


Max, an average European DC scheme member

Costs and charges

Pension funds' operating expenses as a share of total investments in selected OECD countries, 2011

As a percentage of total investment



"The research also shows that it is highly difficult among a significant number of Member States to ascertain a clear, comprehensive and foremost accurate picture of what parties are paying in costs and charges and to assess the value for money or affordability of the pension schemes concerned"

Source: OECD, Global Pension Statistics

StatLink: <http://dx.doi.org/10.1787/888932908231>

Product regulation of pensions needed to protect consumers?

- ***Focus at European level been on regulation of provider not of the product***
- ***Pan-European Personal Pension:***
 - ***Charge cap consulted on***
 - ***Proposed to limit investment choices to 5, with a default which is lifestyled or with a guarantee***



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Thank you

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