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CONSULTATION ON THE REVISED DECISION ON EIOPA'S REGULAR INFORMATION REQUESTS TOWARDS NCAS REGARDING THE PROVISION OF OCCUPATIONAL PENSIONS INFORMATION

EIOPA REGULAR USE
EIOPA-BoS-22/213
Supervisory Processes Department

15 March 2022

1. Responding to this paper

EIOPA welcomes comments on the envisaged amendments to the BoS Decision on EIOPA's regular information requests towards NCAs regarding the provision of occupational pension information (EIOPA-BoS/20-362). This consultation includes the following documents:

- Cover note to the public consultation;
- Draft revision of the BoS Decision (EIOPA-BoS/20-362);
- Draft revision of the templates of the BoS Decision (EIOPA-BoS/20-362);
- Draft revision of the instructions of the BoS Decision (EIOPA-BoS/20-362);

Comments are most helpful if they:

- contain a clear rationale; and
- describe any alternatives EIOPA should consider.

Contributions not provided in the EU survey tool, or after the deadline will not be processed.

2. Publication of responses

Contributions received will be published on EIOPA's public website unless you request otherwise in the respective field in the template for comments. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.

Please note that EIOPA is subject to Regulation (EC) No 1049/2001 of the European Parliament and of the Council of 30 May 2001 regarding public access to European Parliament, Council and Commission documents¹, and to EIOPA's rules on public access to documents².

Contributions will be made available at the end of the public consultation period.

3. Data protection

Please note that personal contact details (such as name of individuals, email addresses and phone numbers) will not be published. They will only be used to request clarifications if necessary on the information supplied.

EIOPA, as a European Authority, will process any personal data in line with Regulation (EC) No 45/2001 on the protection of the individuals with regards to the processing of personal data by the Community institutions and bodies and on the free movement of such data. More information on data protection can be found at <https://eiopa.europa.eu/> under the heading 'Legal notice'.

4. EIOPA approach towards Occupational Pensions reporting

EIOPA's BoS Decision, issued in April 2018, was driven by the goal to streamline EIOPA's data requests from NCAs and the need for better, comparable and relevant information regarding occupational pensions in Europe as a basis for thorough, reliable, conclusive analyses and informed policy development.

¹ OJ L 145, 31.5.2001, p. 43.

² Decision of the Management Board concerning public access to documents, available at: [https://eiopa.europa.eu/Publications/Administrative/Public-Access-\(EIOPA-MB-11-051\).pdf](https://eiopa.europa.eu/Publications/Administrative/Public-Access-(EIOPA-MB-11-051).pdf).

After a number of years since implementation of this Decision and making use of the information received by supervisory authorities, it is important to reflect on its adequacy to ensure that it remains fit-for-purpose. The proposals under consultation would lead to three crucial improvements:

- Address the data gaps identified by incorporating information needed for supervisory purposes, focusing on emergent risks and new areas with identified data gaps;
- Correct the inconsistencies spotted in the current Decision; and
- Align, where relevant, with the EIOPA XBRL taxonomy release 2.8.0.

4.1. Closing data gaps

NCA and EIOPA should receive the information which is necessary for the purposes of their mandates. It is crucial that NCA and EIOPA receive meaningful data in terms of granularity, coverage, frequency and within proper timelines to identify and assess the (potential) risks faced by the industry, both at micro and macro levels. EIOPA's capacity to analyse emerging risks in the pension sector is currently limited as it lacks crucial data in a number of areas. Important gaps have been identified, namely in the area of derivatives and look-through information.

Closing these data gaps should ensure that NCA and EIOPA receive the data they need to support their tasks and at the same time ensure that reporting entities have the information available for their risk assessment frameworks.

EIOPA is proposing a proportionate revision of the current requests of information levelling the information available at the different NCA across the EU. Indeed, many of the requested data is already reported to some NCA which shows the usefulness for supervisory purposes. However, not all information is reported to all NCA. Further details are provided in section 6.

4.2. Correct inconsistencies

In the years following the implementation of the BoS Decision, EIOPA has been informed by NCA and industry about certain flaws in the current Decision. In 2020, a 'quick fix' addressed the errors that did not impact the templates. However, another revision of the BoS Decision, including amending the templates is required to address all concerns identified.

4.3. Align taxonomies where relevant

Alignment of taxonomies between IORPs and Solvency II reporting promotes efficiency and comparability. The alignment, where relevant, of terminology, definitions, data dictionaries and modelling between IORPs and Insurance is a best practice in line with the Strategy on supervisory data in EU financial services³ that ensures consistency between frameworks and use of common dictionaries, ultimately leading to reduction of costs.

With the upcoming review of the Solvency II and the planned amendments to some of the templates which are overlapping with the IORPs templates (e.g. list of assets, look-through, derivatives), it is important to continue maintaining this alignment.

³ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2021:798:FIN>

5. Timeline and costs

The amendments proposed bring obvious advantages from a supervisory and market monitoring perspective, reflecting in higher protection of member and beneficiaries. However, as any amendment to the reporting framework it also implies implementation costs.

Having in mind the need for stability of the reporting frameworks EIOPA is proposing to implement the amendments under consultation at the end of 2024 to allow for adequate implementation time and as such mitigate the costs involved.

EIOPA invites the stakeholders to submit their comments on the timeline and expected costs of implementation, having also in mind the goals described in point 4 and the amendments described in point 6.

Question to Stakeholders:

- Q1. What are your views regarding the proposed implementation timeline?
- Q2. What are your views on the general costs regarding implementation? How could the relevant amendments be addressed in a most cost effective way?

6. Overview of the main changes to the templates and instructions

The major areas where EIOPA envisaged amendments are described in the section 6.1 to 6.7.

6.1. PF.02.01 Balance sheet

Over the past years, EIOPA has received questions from NCAs and industry on how to report certain data which was not included in the current balance sheet, e.g. deposits other than cash, property for own use). In addition, the instructions sometimes include multiple definitions for single data point coming from ESA 2010 and Eurostat. However, these were not always exactly similar.

In order to address this, EIOPA suggests to align the asset side of the balance sheet template and the instructions with the templates and instructions of the insurance balance sheet, where this would be relevant also for IORPs. This provides the following mapping in terms of additional fields between the old and the new templates⁴.

Current reporting		Suggested amendments ⁵	
Other investments	R0200	Deposits other than cash equivalents	R0195
		Structured notes	R0111
		Collateralised securities	R0112
Any other assets, not elsewhere shown	R0260	Property, plant & equipment held for own use	R0005
		Reinsurance receivables	R0245

⁴ The fields highlighted in the columns current reporting have been further split in the suggested amendments. See also the annex I templates for a complete version of the balance sheet.

⁵ EIOPA cannot ensure that these data points had been addressed as such. E.g. 'deposits other than cash equivalents' could have been included as 'any other assets, not included elsewhere in the current reporting' in the current reporting.

The market consistent valuation of the assets and the national GAAP reporting of the liabilities remain. Finally, EIOPA suggests to remove the split between financial and non-financial corporate bonds as this information can be calculated from the list of assets.

EIOPA believes that these amendments should reduce complexity and ensure consistency of the instructions on the assets side of the balance sheet and address concerns received from industry and NCAs over the past years.

Question to Stakeholders:

Q3. Do you agree that these changes would reduce complexity and ensure consistency in the reporting of the fields on the asset side of the balance sheet (YES/NO)? Please explain if not.
Q4. Are there any data points added which you consider unnecessary for IORPs? Do you consider additional data points which have not been included but which would be necessary for IORPs balance sheet?
Q5. How do you assess the costs resulting from the changes to the balance sheet in the EIOPA BoS Decision, templates and instructions (low-medium-high)? Please explain.

6.2. PF.04.03 Cross-border

Monitoring cross-border developments is one of EIOPA's key tasks. Currently EIOPA receives the information from home Member States which have aggregated their cross-border data received from all host countries. This data shows that there are currently 33 cross-border IORPs spread over 8 host countries and 16 host countries. EIOPA can also monitor in which host countries a cross-border IORP is active. However, it does not have any quantitative data available on the cross-border exposure in a particular host MS. This severely limits EIOPA's possibility to monitor cross-border developments.

Therefore, EIOPA suggests to collect information by home/host country in the cross-border template allowing for country-by-country reporting of the data (annual).

The new requirements only affects those cross-border IORPs active in multiple host countries. While the information is not reported to EIOPA, it should be available already considering host NCAs can request and should receive information from the cross-border IORP or its home NCA in order to comply with their host duties.

Question to Stakeholders:

Q6. Do you agree that these changes are necessary for EIOPA in order to monitor cross-border developments? Please explain if not.
Q7. Do you agree that the impact of these changes are fairly limited resulting in low costs considering that the information should already be available? Please explain if not.

6.3. PF.05.03 Expenses

EIOPA has recently published an Opinion on costs and charges for IORPs⁶. The main objective of the Opinion is to foster an effective cost supervision across the EU in order to enhance the value for money offered to members and beneficiaries, the cost efficiency of IORPs and the affordability for sponsors. It suggests definitions and reporting templates to assist NCAs to collect information on all costs and charges.

Therefore, EIOPA proposes to add an additional column to the expense template and clarify the instructions making clear that one column is for the reporting of the expenses following accounting principles and another one according to the definitions used in the 'EIOPA Opinion on costs and

⁶ <https://www.eiopa.europa.eu/sites/default/files/publications/opinions/eiopa-bos-21-426-opinion-cost-reporting-iorps.pdf>

charges'. NCAs will have the option to report according to national accounting principles, the definitions as described in EIOPA Opinion on the supervisory reporting of costs and charges of IORPs or both.

This should avoid double reporting for the industry, should NCAs decide to replace the current reporting with the reporting according to the Opinion and, at the same time, ensure that EIOPA understands the reporting principles used by Member States, thereby facilitating comparability.

Question to Stakeholders:

Q8. Do you agree that adding an additional column specifying the reporting basis should enhance comparability between the reported datasets? Please explain if not.

Q9. Do you agree that the impact of these changes are fairly limited resulting in low costs considering that the additional information is an alternative for the current information? Please explain if not.

6.4. PF.06.02 List of assets

Over the past year, EIOPA received questions on how to report missing data fields 'assets pledged as collateral' and 'infrastructure' in the current template. In addition, there is a need for EIOPA to revise the template to monitor and assess market developments relating to emerging risks and ESG related factors. Finally, EIOPA has experienced some data quality issues with regards to the reporting of the external rating.

Therefore, EIOPA suggests improving the template by adding and/or amending the fields which were missing or related to emerging risks and ESG factors. EIOPA also aims in its revision to maintain the alignment in the taxonomy with the insurance templates for the list of assets reporting. Concrete, EIOPA proposes the following:

- Additional fields: Assets pledged as collateral, Custodian ID code, Bail-in rules, Regional Governments and Local Authorities (RGLA), Crypto-assets, Property type, Property location and infrastructure investment.
- Extend NACE to four-digit reporting of NACE codes for investments in economic activities under NACE sections A to N to allow analysis of ESG risks (note: K is already being reported under the Decision with four digits)⁷.

EIOPA believes these changes would address the issues flagged by NCAs and industry; and increase completeness and quality of the data in order to better analyse the asset data received, including on ESG and potential transition risks.

Question to Stakeholders:

Q10. Do you agree that these changes would help EIOPA to better analyse the asset data received including on ESG (YES/NO)? Please explain if not.

Q11. Are there any fields added which you consider unnecessary for IORPs?

Q12. Do you consider the changes also useful for IORPs' own reporting or risks assessments? Are (some of) the additional fields already available at IORPs? Please explain.

⁷ The identification of economic activities at NACE code level 4 is also used by the EU taxonomy. The selection of NACE sections A to N reflects sectors of economic activities which may be likely to be exposed to climate change-related transition risk, having regard to the Taxonomy Delegated Regulation supplementing Regulation 2020/825 ('Climate Delegated Act' 11), as well as currently available research and analysis. As, for example, applied in EIOPA Sensitivity analysis of climate-change related transition risks, <https://www.eiopa.europa.eu/sites/default/files/publications/reports/sensitivity-analysis-climate-change-transition-risks.pdf>

Q13. Which additional data, not included in the suggested amendments do you use or do you consider necessary for IORPs' risk assessment concerning emerging risks, ESG requirements or other tasks (e.g. would participations be useful)?

Q14. Currently, EIOPA came across data quality issues related to the reporting of the external rating which are often left blank. Could you please explain what the difficulties are in order to report this field or what could potentially trigger them?

Q15. How do you assess the costs resulting from the changes to the List of Assets in the EIOPA BoS Decision, templates and instructions (low-medium-high)? Please explain.

6.5. PF.06.03 Look-through

The current Decision included a transitional exception for the reporting of UCITS (Undertakings for Collective Investment in Transferable Securities) in the look-through information from collective investment funds. EIOPA analysed the data available and the investment in UCITS are material. On average IORPs' invest around 40% in CIUs, of which we estimate at least 20% invest in UCITS (this is around 8% of total investments). In such a context and without the availability of UCITS information through other means, EIOPA suggests collecting also high-level⁸ look-through data on UCITS to conduct a proper investments analysis by removing the transitional reference.

In order for EIOPA to perform analysis in terms of exposures of the IORPS market, it is important that it has a complete set of information available. The exclusion of UCITS leads to different completeness scenarios between countries and risk that important exposures remain undetected.

In order to ease the reporting burden for smaller IORPs, EIOPA has clarified the scope of the look-through including only those IORPs in the scope of the mandatory individual reporting.

Question to Stakeholders:

Q16. Do you agree that a complete overview of the exposures is needed, including UCITS to conduct proper analysis on the potential market risks (YES/NO)? Please explain if not.

Q17. Do you consider it necessary that IORPs understand their exposures for their own reporting or risks assessments? Please explain.

Q18. How do you assess the costs resulting from the removal of the transitional on UCITS in the EIOPA BoS Decision, templates and instructions (low-medium-high)? Please explain.

6.6. PF.08.02 Open derivatives

The reporting of derivatives was not included in original Decision, due to materiality considerations for IORPs. In the 2020 update, the voluntary reporting of derivatives was added following NCAs request, but avoiding that derivatives were included in the list of assets, as these are not fit for purpose.

Currently, the data available on the balance sheet shows that around 40 percent of the IORPs invest directly in derivatives, leading to a net market value of EUR 123 BN. In comparison, this is around 5 times the net market value of the insurance sector⁹. The balance sheet information of derivatives is not suitable to assess the potential risk stemming from positions in derivatives. While a net market value of EUR 123 BN is only a small amount of the total investments, the underlying risks and notional

⁸ Not item by item

⁹ In comparison in the insurance sector derivatives with net market values of around 19 BN have a notional value of 3000 BN euros.

might be much higher. However, EIOPA only receives information from a limited number of IORPs in the voluntary derivatives reporting template. Therefore, EIOPA suggests the mandatory reporting of direct investments in derivatives.

EIOPA considers this as proportionate considering it is also important that IORPs understand the products they invest in. Furthermore, derivatives data is often already collected at national level so the proposed revision will support a levelled-playing-field in the EEA and will not imply additional reporting burden for some jurisdictions. Finally, only IORPs included in the scope of the mandatory individual reporting should be included in the annual and quarterly reporting. While IORPs, not included in the mandatory individual reporting and not exempted IORPs, should report their derivatives position as part of the annual reporting only.

Question to Stakeholders:

Q19. Do you agree that additional data on derivatives is needed, in order to properly assess the risks stemming from derivatives investments (YES/NO)? Please explain if not.

Q20. Do you agree that the reporting of derivatives is proportionate as IORPs should understand their exposures to derivatives for their own reporting or risks assessments? Please explain.

Q21. How do you assess the costs resulting from the potential inclusion of mandatory derivatives reporting in the EIOPA BoS Decision, templates and instructions (low-medium-high)? Please explain.

6.7. PF.29.05 technical provisions

The current data received does not allow for a proper monitoring of the underlying trends explaining variations to liability nor does allow having a comparable basis considering the different methods and discount rates used to calculate the liabilities. Discount rates in template PF.29.05 are often not reported and require additional detail and a sensitivity analysis to understand. In that respect, the data requested by EIOPA to IORPs in the context of the stress test is much fitter for purpose.

Three options are currently considered as possible options to solve the issue described above. Each option has pros and cons, and we welcome industry views on which option would provide meaningful information and support supervisory objectives. Additional options that may serve the objectives can be offered to EIOPA's consideration.

- Option 1: Requesting the annual reporting of cash-flow data in a new template, similar to parts of the cash-flow template requested for the stress tests. Its main advantage is that it provides the most detail, which will allow more accurate basis to assess and benchmark the risks stemming from the liability side but also best serve other purposes such as asset-liability management for the IORPs, sensitivity analysis and assessing liability mismatching and liquidity risks for national supervisors. This information is also often available by IORPs and required as basis for IORPs' own reporting and risk assessment. If this option would be chosen, the reporting of discount rate and range of discount rates would be dropped from the template technical provisions.
- Option 2: Similar as option 1 but with data aggregated by cash-inflows and cash-outflows. This should reduce the number of additional fields to be reported. On the other hand, it will make the basis to solve the issues as described less accurate as it does not allow to take into account all possible conditions. If this option would be chosen, the reporting of discount rate and range of discount rates would be dropped from the template technical provisions.

- Option 3: Not reporting cash-flows but further elaborate on discount rates. This entails to replace the fields discount rate and range of discount rates with the following fields of which one needs to be chosen and reported: (i) discount rate, (ii) multiple discount rates or (iii) spot rates. In (ii) EIOPA would request to report the minimum discount rate, the medium and the maximum. In (iii), EIOPA would request the current rate, the rate after 5 years, after 10 years and after 20 years. All options (i, ii, iii) will also be supported by sensitivity analysis.

Currently EIOPA has a comparable basis on the assets but not on the liabilities. This makes that the development of any indicator or risk assessment at EEA level including liabilities risks to be skewed depending on the discount rates and applicable conditions in a certain Member State. Therefore, in order to have a comparable basis, EIOPA requests either the cash-flow streams or an amended version of the section on discount rates to gain a better understanding of the reported liabilities and make comparable approximations and benchmarks. While we understand that such approximation is not a reflection of the solvency of an individual IORP, it is essential to assess risks in a supranational context.

Next to this, cash-flows as suggested in option 1 and to lesser extend in option 2 could also help national supervisors to assess potential liability mismatching and liquidity risks, check valuation of the technical provisions, perform stress and sensitivity tests, etc.

All options would only be mandatory for those IORPs providing DB schemes and included in the scope of the mandatory reporting. This should avoid any additional reporting burden on smaller IORPs. Many IORPs included in the scope already report this information to EIOPA in the context of the stress tests, every three years.

Questions to stakeholders

Q22. Do you agree that there is a need for a comparable basis if EIOPA wants to assess risks at EEA level? Please explain if not.

Q23. Do you agree that cash-flows should also be collected by IORPs for their asset liability management and to check on liquidity risks?

Q24. Which of those options would you consider most fit for purpose? Please explain. Are there other options not included in the above that would serve EIOPA's objectives and should be considered?

Q25. How do you assess the costs resulting from each of the options (low-medium-high)? Please explain.

7. Next steps

EIOPA will consider the responses it receives to this consultation and decide on the way forward.

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