

Statement on principles to mitigate the impact of Coronavirus/COVID-19 on the occupational pensions sector

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1. The European Insurance and Occupational Pensions Authority (EIOPA) has been closely monitoring the coronavirus/COVID-19 developments in relation to the occupational pensions sector. As long-term investors Institutions for Occupational Retirement Provision (IORPs) can play a stabilising role in current volatile markets.
2. Occupational pension systems across Europe are very diverse. The IORP II Directive sets minimum prudential rules for IORPs in the EU and, in consequence, prudential regulation varies considerably between Member States. In addition, occupational pension arrangements depend on national social and labour law, resulting in differences in the extent to which risks are borne by members and beneficiaries, the IORP itself, sponsors and pension protection schemes.
3. Recognising this diversity, considering the current coronavirus/COVID-19 situation, and to mitigate the impact on IORPs and their members and beneficiaries, as well as to avoid pro-cyclical effects on the real economy and financial system, EIOPA expects national competent authorities (NCAs) to adhere to the following principles using a risk-based and proportionate approach.

Business continuity and operational risks

4. NCAs should ensure that IORPs prioritise the continuity of key operational activities, including outsourced ones, like the timely investment of contributions, the management and safekeeping of assets, the timely and accurate payment of retirement benefits and service continuity towards members and beneficiaries. NCAs should allow IORPs flexibility in the collection of contributions from employers facing liquidity pressures, also in anticipation of envisaged wage

support measures.

5. NCAs should expect IORPs to carefully consider and effectively manage the increased risk exposure to fraud, other criminal activity, cyber security and data protection due to the disruption of society and, in particular, staff working remotely.

6. To accommodate IORPs' focus on key operational activities, NCAs should be flexible with respect to deadlines for publication of documents and data considered less urgent given the current circumstances as well as in respect of national reporting requirements. The timings for the provision of occupational pensions information to EIOPA are extended by two weeks for the information regarding the first quarter of 2020 and by eight weeks for the information regarding annual reporting with reference to the year-end 2019.

Liquidity position

7. NCAs should monitor the liquidity position of IORPs carefully and proportionately. IORPs may face significant liquidity pressures due to:

- delayed or missing contributions from employers and employees;
- the potential need to cover cash margin calls on derivative hedging positions;
- any moratorium on payments on loans and mortgages;
- expected declines in dividend payments on IORPs' equity holdings;
- difficulties in selling assets under current market circumstances.

Funding situation and pro-cyclicality

8. NCAs should closely monitor the impact of financial market developments on the financial position of IORPs providing defined benefit (DB) schemes and their compliance with national funding requirements.

9. In their supervisory responses, NCAs should seek to find an appropriate balance between the primary goal of safeguarding the long-term interests of members and beneficiaries and the aim of avoiding short-term pro-cyclical impacts on the real economy, most notably sponsoring employers, and the wider financial system.

Protection of members and beneficiaries

10. NCAs, where relevant in collaboration with the national legislator, should encourage flexibility to safeguard members' pension rights and, particularly in defined contribution (DC) schemes, allow plan members to choose delayed application of lump sum payments or of mandatory annuitisation.

Communication

11. NCAs should expect IORPs to communicate to sponsors, members and beneficiaries in a balanced way on the impact of the coronavirus/COVID-19 developments on the IORP's service continuity and, as the financial and economic impact of the COVID-19 starts to become clearer, on the impact on (future) retirement income of members and beneficiaries. In particular in DC schemes, IORPs' communications should aim to discourage potential short-term decisions by plan members that may jeopardise long-term pension outcomes.
