

CONSULTATION PAPER

on draft Opinion on the supervisory reporting
of costs and charges of IORPs

EIOPA-BoS-21/113
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eiopa

European Insurance and
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Responding to this paper

EIOPA welcomes comments on the draft Opinion on the supervisory reporting of costs and charges of Institutions for Occupational Retirement Provision (IORPs).

Comments are most helpful if they:

- respond to the question stated, where applicable;
- contain a clear rationale; and
- describe any alternatives EIOPA should consider.

Please send your comments to EIOPA using the EU Survey tool **by Thursday, 22 July 2021, 23:59 CET** by responding to the questions under the following link:

<https://ec.europa.eu/eusurvey/runner/CostReportingIORPs>

Contributions not provided using the EU Survey tool or submitted after the deadline will not be processed.

Publication of responses

Contributions received will be published on EIOPA's public website unless you request otherwise in the respective field in the survey. 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 regarding public access to documents¹ and EIOPA's rules on public access to documents².

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

Data protection

Please note that personal contact details (such as names of individuals, email addresses and phone numbers) will not be published.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 (EU) 2018/1725³ on the protection of the individuals with regards to the processing of personal data by the Union 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'.

¹ 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 documents (OJ L 145, 31.5.2001, p. 43).

² [Public Access to Documents](#)

³ Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC (OJ L 295, 21.11.2018, p. 39).

Consultation paper overview and next steps

This consultation paper sets out the draft Opinion on the supervisory reporting of costs and charges of Institutions for Occupational Retirement Provision (IORPs).

The Opinion aims at enhancing supervisory convergence in the supervision of IORPs. The Opinion is provided to the competent authorities as defined in Article 6(8) of the IORP II Directive, and provides them with practical instruments and tools fostering an effective application of supervisory practices across the EU.

Considering that a transparent and comprehensive view of all costs and charges is essential for IORPs, social partners and supervisors to assess the efficiency, value for money and affordability of occupational pension schemes, the Opinion sets out expectations on the supervisory reporting of costs and charges of IORPs, using a proportional and risk-based approach.

The Opinion provides a generic classification of all costs to be reported to national supervisors, including templates, both for supervisors to collect cost information from IORPs and to assist IORPs to collect cost information from investment managers. Moreover, principles are provided for the compilation of the cost information. Most notably the look-through principle, meaning that not only direct investment costs have to be included but also indirect costs at the level of investment managers.

The Opinion also provides guidance on the supervisory use of the cost data. National supervisors are expected to assess the efficiency of IORPs, affordability for sponsors and the value for money offered to members and beneficiaries, not considering the costs in isolation, but in conjunction with risk and return characteristics. The results of such benchmarking exercises should feed into the supervisory review process and the regular dialogue with the IORPs' management boards.

Next steps

EIOPA will consider the feedback received and expects to publish the final Opinion in the fourth quarter of 2021 together with a feedback statement on the consultation responses of stakeholders.

Draft Opinion on the supervisory reporting of costs and charges of IORPs

1. Legal basis

- 1.1. The European Insurance and Occupational Pensions Authority (EIOPA) provides this Opinion on the basis of Article 29(1)(a) of Regulation (EU) No 1094/2010⁴. This article mandates EIOPA to play an active role in building a common Union supervisory culture and consistent supervisory practices, as well as in ensuring uniform procedures and consistent approaches throughout the Union by providing opinions to competent authorities.
- 1.2. EIOPA delivers this Opinion on the basis of Directive (EU) 2016/2341⁵ (the IORP II Directive), in particular in relation to Article 19(1)(a), Article 45(1), Article 48(8)(a), Article 49 and Article 50 thereof.
- 1.3. This Opinion is provided to the competent authorities (CAs), as defined Article 6(8) of the IORP II Directive.

2. Context and objective

- 2.1. A transparent and comprehensive view of all costs and charges is essential for IORPs, social partners and supervisors to assess the value for money – considering costs in conjunction with risk and returns – and affordability of occupational pension schemes. According to the OECD,⁶ annual costs and charges of 1% of assets reduce final pension income by more than 20% after 40 years of pension saving - or equivalently raise contributions by more than 20% to achieve a given level of retirement income.
- 2.2. The IORP II Directive establishes that the main objective of prudential supervision is to protect the rights of members and beneficiaries, as set out in Article 45 thereof. IORPs have to adequately protect the interests of scheme members and beneficiaries, as set out in Article 48 of the IORP II Directive, and in particular invest the assets in the best long-term interest of members and beneficiaries, as set out in Article 19 thereof. The. In addition, the IORP II Directive affords CAs the necessary powers to review the strategies, processes and reporting procedures established by IORPs to comply with the laws, as set out in Article 49 thereof, and the necessary powers and means supply at any time information about all business matters, as set out in Article 50 thereof.

⁴ Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC, OJ L 331, 15.12.2010, p. 48.

⁵ Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs), OJ L 354, 23.12.2016, p. 37.

⁶ OECD, Pension costs in the accumulation phase: Policy options to improve outcomes in funded private pensions, OECD Pensions Outlook 2018: https://doi.org/10.1787/pens_outlook-2018-en

- 2.3. Directive 2014/65/EU⁷ (“MiFID II”) has imposed requirements on investment firms (brokers, portfolio managers) to disclose information on all costs and charges to clients, including IORPs. Pan-European Personal Pension products (PEPPs) are not occupational pension schemes, but the personal pension products may be provided by IORPs. Regulation (EU) 2019/1238 (the “PEPP Regulation”) requires providers to disclose a breakdown of all costs incurred, directly and indirectly, by the PEPP saver over the previous 12 months.⁸
- 2.4. In the 2015 report on costs and charges of IORPs⁹, EIOPA found that there is a lack of detailed information and practical experience to obtain details on costs and charges in a number of Member States. In consequence, it proved not to be possible at that time to fulfil the original goal of the project to develop common definitions and breakdowns of costs and charges. Since then, the pension sectors in a number of European countries have taken initiatives to enhance the transparency of costs.^{10,11}
- 2.5. EIOPA surveyed existing national practices and gaps with regard to supervisory cost reporting among CAs in twenty Member States (see Annex 4). The answers to the questionnaire make clear that few CAs have a transparent view of IORPs' cost levels under their supervision. Most CAs receive costs information based on the IORPs' annual accounts, which follow national accounting rules and are commonly not subject to a look-through approach, i.e. including fees and charges of external investment funds/managers. In addition, several CAs have also reported that IORPs are required to report data on costs to the CA directly through supervisory reporting, and others indirectly through disclosure documents envisaged by IORP II. Five out of twenty-five NCAs collect transparent cost data from IORPs, explicitly disclosing all of the costs charged, in particular with respect to investment costs.
- 2.6. The objective of this Opinion is to set expectations towards CAs on transparent supervisory cost reporting and to provide CAs with practical guidance on how to collect data on all IORPs costs as a first step for the adequate supervision of the

⁷ Article 24(4)(c) of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast), OJ L 173, 12.6.2014, p. 349:

⁸ Article 36(1)(f) of Regulation (EU) 2019/1238 of the European Parliament and of the Council of 20 June 2019 on a pan-European Personal Pension Product (PEPP), OJ L 198, 25.7.2019, p. 1: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R1238&from=EN>

⁹ EIOPA Report on Costs and charges of IORPs, EIOPA-BoS-14/266, 7 January 2015: https://eiopa.europa.eu/Publications/Reports/EIOPA-BoS-14-266-Final_report_on_costs_and_charges_of_IORPs.pdf

¹⁰ See the (revised) set of recommendations for classifying and reporting costs in Federation of the Dutch Pension Funds, Recommendations on Administrative Costs, February 2016, The Hague: <https://www.pensioenfederatie.nl/website/engelse-website/publications-in-english/recommendations-on-administrative-costs>

¹¹ The Cost Transparency Initiative (CTI) in the UK developed a set of templates to assist pension schemes in receiving standardised cost and charges information from asset managers: <https://www.plsa.co.uk/Policy-and-Research-Investment-Cost-Transparency-Initiative>

costs levels of IORPs, with the ultimate goal to foster an effective supervision across the EU.

- 2.7. The collected costs data will allow CAs to assess the cost efficiency of IORPs, the affordability for sponsors and the value for money offered to members and beneficiaries and consider the outcomes within the supervisory review process, including in the dialogues with the IORP's management board.
- 2.8. The cost reporting to CAs obliges IORPs to assess and manage their cost structure in a more comprehensive and transparent way, in particular where IORPs are now only considering direct and not indirect investment costs.
- 2.9. Although the Opinion restricts itself to the cost reporting of IORPs to CAs, these more comparable and transparent cost data could potentially also be used by EIOPA in the future. The Commission has already requested EIOPA to include occupational DC schemes in its "Costs and past performance" reports.^{12 13}
- 2.10. This Opinion further aims to facilitate risk-based and proportionate supervision of IORPs. In this context, CAs may take into account the national specificities of the IORP sector to determine the requirements necessary for implementing this Opinion considering a risk-based and proportionate approach.
- 2.11. Annex 1 contains an analysis of the costs and benefits relating to this Opinion.

Question to stakeholders:

Q1: Do you agree with the objective of implementing a transparent and comprehensive cost reporting for supervisory purposes? Please explain.

Q2: Do you agree that Annex 1 provides a balanced view of the costs and benefits of the draft Opinion? Please explain and provide any suggestions.

3. Supervisory reporting of costs and charges of IORPs

Annual reporting of cost information

- 3.1 CAs should require IORPs to report on an annual basis information on all costs and charges.

¹² <https://eiopa.europa.eu/Pages/News/EIOPA-receives-request-on-costs-and-past-performance-of-IBIPs,-personal-pension-products-and-Defined-Contribution-pension-s.aspx>

¹³ EIOPA already collects cost data in accordance with EIOPA, Decision of the Board of Supervisors on EIOPA's regular information requests towards NCAs regarding provision of occupational pensions information, EIOPA-BoS/18-114, 10 April 2018: https://www.eiopa.europa.eu/sites/default/files/publications/protocols_decisions_memoranda/decision_on_consultation_paper_eiopa-cp-17-005.pdf However, these cost data are based on accounting data, and with regards investment costs, its scope is limited to direct investment expenses, excluding transaction costs and without implementing the principles of this Opinion, in particular look-through and no setting off costs against revenues.

Classification and definitions of IORP costs and charges

3.2 In the collection of information on costs and charges, CAs should distinguish the cost categories in the following high-level generic cost classification:

Cost category	Description
Investment costs	<p>All on-going and one-off investment costs incurred in connection with the management of assets (excluding portfolio transaction costs):</p> <ul style="list-style-type: none"> • Fiduciary fees • Remuneration to the external asset manager for management of (discretionary) portfolios and for the management of the investment funds. • Internal management costs incurred for the management of assets • Investment administration • Costs of safekeeping of assets • Other asset management costs • Management costs for direct investments in property
	of which:
	- costs of safekeeping of assets
Transaction costs	<p>All costs incurred as a result of the acquisition and disposal of investments, including indirect transaction costs for when part of the portfolio is invested in one or more investment funds:</p> <ul style="list-style-type: none"> • Broker commissions and transaction taxes (explicit costs) • Amounts charged to investors at the entry into or withdrawal from an investment fund, in favour of the fund, the manager, and/or the already existing investors. • Subscription and redemption fees charged by underlying investment funds (indirect costs) • Acquisition costs (including investments in property and private equity) • Implicit transaction costs
Administrative costs	<p>All administrative costs of the IORP:</p> <ul style="list-style-type: none"> • Collection of contributions/premiums, pension payments, accrued pension rights, value transfers • General administrative costs such as staff and premises • Communication to participants and employer • Oversight (certifying actuary, auditor) and advice (except for asset management related advice) <p>Costs of adapting to changes to the pension system</p>
	of which:
	- costs of distribution, including distribution to sponsoring undertakings, where applicable

Cost paid by sponsors	<ul style="list-style-type: none"> • Additional costs borne by the sponsor¹⁴, not charged to the IORP
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- 3.3 Annex 2 contains further definition of investment, transaction and administrative costs (Table 1) and a reporting template to assist CAs to collect the information on costs and charges of IORPs (Table 2).
- 3.4 CAs are encouraged to collect cost data at a higher level of granularity than the generic cost classification. The granularity of the classification can be increased by including more detailed cost categories or by distinguishing investment and transaction costs by asset class. A higher level of granularity will contribute to validating the cost data as well as explaining the differences in cost levels when comparing cost data of IORPs.
- 3.5 All costs should be reported in the reporting currency and as a percentage of average assets under management (including that related to third party investments). Where the IORP collects the investment and transaction costs data based on MiFID II disclosures by the service providers, this should be indicated in the reporting template submitted. The use of estimates should also be clearly communicated.
- 3.6 The cost category 'investment costs' includes the 'costs of safekeeping of assets'. The 'administrative costs' category includes 'distribution costs'. To ensure consistency with the PEPP Regulation, IORPs providing PEPPs should also report these two cost components separately. CAs may choose to apply this more detailed breakdown to other IORPs.
- 3.7 Any costs paid directly by the sponsor, either in cash or in kind, and not charged to the IORP, should be reported as a separate cost category.

Cost reporting at scheme level, if IORP provide multiple schemes

- 3.8 CAs should expect IORPs, where possible, to report at the level of the scheme, or of the investment option where IORPs provide plan members with different investment options/schemes. Reporting at the level of schemes/ investment options will provide better insight in the costs for sponsors and plan members of a specific scheme and in the costs for plan members of a specific investment option. If there are no material differences in the cost structure, e.g. because the different schemes have the same investment policy, IORPs are not expected to differentiate cost reporting at the scheme level.

¹⁴ For example transaction costs (broken deal costs), administrative costs (staff, IT equipment and office).

Principles for compiling the cost information

3.9 CAs should expect IORPs to apply the following principles in compiling the information on costs and charges:

a) Look-through and no netting

In order for all costs and charges to be reflected in the reported costs, CAs should expect IORPs to apply a look-through approach, i.e. include all costs and charges incurred at the level of investment funds, managers, and transactions. Moreover, the no-netting principle should be applied, meaning that cost items should not be subtracted from income items and vice versa. The cost data that can be requested by IORPs from their portfolio managers and brokers in accordance with MiFID II rules is assumed to fulfil the look-through and no-netting principles.

b) Costs paid directly by sponsors

CAs should expect IORPs to report the costs paid directly by sponsoring undertakings, including pension administration activities that IORPs outsource to the sponsoring undertaking. The latter would require sponsoring companies to provide an estimate of the staff and resource allocated to the administration of the IORP. Including costs directly paid by the sponsor ensures that CAs receive cost data that will allow for greater comparability between IORPs which bear the administrative costs themselves and IORPs for which the sponsor bears (a substantial part of) these costs.

c) Matching (accounting)

Reported costs are attributed to the accounting period to which they relate, and costs are stated in the accounts for the same period as the related revenues. For example, performance fees are stated in the accounts for the period in which the associated performance occurred, and not the period when the fee is paid.

d) Taxation

Indirect taxes are implicit in the price of a product or service and are thus payable by the IORP or by the investment fund. Examples are value-added tax (VAT) and transfer tax. Taxes that add to cost price should be stated as costs in the category under the relevant cost category where the tax in question applies, for example the VAT on asset management costs under investment management costs and transfer tax on direct transactions in property is attributed to transaction costs.

Taxes that are levied on the investment return of IORPs or investment funds should not be stated as costs. This relates, for example, to withholding tax on dividends and interest (levies on direct return) and levies on book profits (capital gains tax).

e) Reporting currency

Costs shall be reported in the national currency.

f) Estimations

If costs cannot be directly identified from IORP records or data provided by third parties, CAs should expect IORPs to estimate the costs, ensuring that the estimate and underlying assumptions can be verified. Therefore, IORPs are expected to indicate which costs with notional percentages are estimates, and which are not.

g) Proportionality

In applying the above principles, CAs should allow IORPs to apply a proportionate approach in terms of costs and benefits. The benefits of a more complete look-through of costs and charges in terms of accuracy may not weigh up against the costs of achieving this more complete look-through of costs and charges. In some cases, a full look-through of costs and charges may also not be feasible. Similarly, the benefits of including costs paid directly by the sponsor in terms of comparability may be small relative to the costs for the sponsor to estimate/provide these data. In addition, even though an IORP provides different schemes with distinct investment strategies, distinguishing the costs and charges at scheme level may be relatively costly.

Guidance for IORPs to collect costs from asset managers

3.10 To assist IORPs in collecting costs and charges from their asset managers, CAs should provide IORPs with the templates that are included in Annexes 3 and 3.1 hereto, for the collection of investment and transaction costs.

3.11 Under MiFiD II, investment firms providing brokerage and portfolio management services have to provide, at the request of their clients, including IORPs, an itemised breakdown of all cost and charges related to investment and ancillary services as well as to financial instruments. Annex 3.1 provides this itemised breakdown of cost and charges and explains how the breakdown can be mapped to the cost categories 'Investment costs' and 'Transaction costs' of the generic classification above.

3.12 Not all investment and transaction costs items are included within the scope of MiFiD II, most notably costs and charges related to direct investments in property and private equity. The Institutional Limited Partners Association provides guidance and a reporting template for fees, expenses, and carried interest of investments in private equity.¹⁵ Moreover, investment firms are currently not

¹⁵ See <https://ilpa.org/wp-content/uploads/2016/10/ILPA-Reporting-Template-Guidance-Version-1.1.pdf>; and <https://ilpa.org/reporting-template/get-template/> (page visited on 11 February 2021)

required to disclose an asset-by-asset (ISIN-by-ISIN) breakdown of investment and transaction costs to their clients, which would be needed to distinguish these costs by asset class. However, IORPs, being important institutional investors, could request investment firms to provide such a breakdown.

- 3.13 The template in Annex 3 can be used by IORPs to receive standardised granular cost and charges information from asset managers, and report the aggregated costs and charges information, which is a summary of key information across all investments, to the CA. The more granular information on costs and charges included in this template will provide IORPs with better insight in the main drivers of investment costs.

Scope proportionality

- 3.14 Cost reporting for DB schemes should be proportional to the transparency and supervisory objectives. CAs should have discretion to determine the level of cost reporting for DB IORPs, taking into account the supervisory objectives.

Questions to stakeholders:

Q3: Do you agree with the generic cost classification distinguishing investment, transaction and administration costs as well as costs borne by the sponsor? Please explain and provide any alternative classification that should be considered.

Q4: In your view, do the definitions in Annex 2 cover the most important items of investment, transaction and administrative costs? Please explain and provide any suggestions for the inclusion of other cost elements not explicitly mentioned in the definition.

Q5: Do you agree that all costs should be reported as nominal amounts in the reporting currency and as a percentage of average assets under management? Please explain.

Q6: Do you agree that the cost reporting should also be at the level of the schemes/investment options where IORPs provide multiple schemes/investment options with different investment policies? Please explain and provide any benefits of or obstacles to report costs at the level of pension schemes or investment options.

Q7: Do you agree with the principles for the compilation of information on costs and charges:

- look-through and no netting;
- costs paid directly by the sponsor;
- matching;
- taxation;
- reporting currency;
- estimations;
- proportionality?

Please explain and provide any suggestions to improve the principles.

Q8: Do you agree that the possibility under MiFID II to request investment and transaction cost data from portfolio managers and transaction counterparts will facilitate the supervisory cost reporting by IORPs? Please explain and describe any limitations observed with MiFID II disclosure requirements in practice.

Q9: Are you aware of other cost classifications used by IORPs to collect information on costs and charges from portfolio managers and transaction counterparts? If yes, please describe and explain these other cost classifications.

Q10: Does in your view the investment cost template in Annex 3 facilitate the collection of costs by IORPs from portfolio managers? Do you agree that the more detailed breakdown of costs enhances the understanding of IORPs in the underlying investment cost structure? Please explain and provide any suggestions to enhance the practicality and insightfulness of the template.

Q11: Do you agree that supervisors should have discretion to determine the level of cost reporting requirements for DB IORPs under paragraph 3.14 to ensure an approach that is proportionate to the objectives? If yes, in what way:

- reduced scope of costs reporting (e.g. only investment, transaction, administrative costs),
- lower frequency of reporting,
- full exemption for certain DB IORPs,
- other.

Please explain.

4. Analysis of cost data and supervisory review

Comparative analysis of cost levels

4.1. CAs are expected to use the data to conduct comparative analysis of the cost levels reported by IORPs to assess:

a) their cost efficiency:

- benchmarking costs across IORPs may improve peer pressure in the market. Cost information allows to identify inefficiencies in the investment supply chain, for example if the fiduciary manager does not choose the most cost efficient external asset managers, or if asset managers charge high fees.

- whether conflicts of interest occur between IORPs and fiduciary managers as well as other asset managers (or as well whether costs add too much to employers' costs), for instance by thematic reviews. Differences in cost levels of similar-sized pension funds (for instance for the same asset class) is an indicator of uncompetitive market or conflicts of interest that permits to identify outliers in the best interests of members.

b) affordability to sponsors: the cost efficiency of IORPs has direct implication on the affordability to sponsors, in particular with regards DB schemes. Costs are

one of the relevant factors when assessing the affordability of Defined Benefit schemes, and as such may play an important role in Defined Benefit closures.

- c) “value for money”: from a consumer protection perspective, CAs should have a holistic view of IORPs costs and charges to ensure they provide value for money to members and do not use up savers’ pension pots.

IORPs provide a value to members, when needs for retirement are addressed as well as when their investment preferences, when those are expressed, and are addressed¹⁶. The consideration of costs is part of the suitability of the investment policy to the IORP membership structure.

For “value for money” assessments, CAs are expected to take into account return and risk data, as well as the quality of the service provided, jointly with cost data, as absolute level of costs does not give enough information to make this assessment.

Assessments should also compare against what other, similar pension schemes are paying (benchmarking). Although typically low costs are a good indication of better outcomes (they usually correlate with higher returns), the assessment of the affordability and value for money requires to take into account the risk levels of the investment strategy and the net return (after costs) delivered.

Comparability of results

- 4.2. Costs should be reported in supervisory templates according to a comparable approach. CAs should compare “equals to equals”, taking into account differences between schemes (investment strategy) or IORPs (DB and DC, hybrids), the role of the sponsor, if relevant. In particular, costs need to be assessed taking into account the investment strategy, the risk profile of the IORP and the financial return achieved.
- 4.3. The comparability and usefulness of the cost reporting will generally increase with the comprehensiveness and granularity of the costs data. For example, including costs paid directly by sponsors increases comparability between IORPs where sponsors do and where sponsors do not bear such costs. As a second example, the collection of costs at the scheme level, where IORPs provide multiple schemes, will increase the usefulness of comparisons.

¹⁶ The importance of the membership structure is laid down in the Recital 45 of the IORP II Directive. The draft Opinion on the supervision of long-term risk assessment of DC schemes sets EIOPA’s expectations on IORPs’ consideration of risk-return preferences in the conduct of long-term risk assessment from the perspective of members and beneficiaries and the design of the investment strategy. See Consultation Paper on draft Opinion on the supervision of long-term risk assessment of DC schemes, EIOPA-BoS-21/112, 16 April 2021.

Supervisory review

- 4.4. In order to enhance efficiency, affordability and value for money, CAs should address the results of the comparative cost analyses in the supervisory review of IORPs, including during the regular dialogue with the IORP's management board.
- 4.5. CAs are expected to evaluate costs over time, to assess whether IORPs act to improve the cost-efficiency of the schemes, and assess the consistency of cost reporting for the analysis conducted.

Disclosure of costs

- 4.6. Taking into account confidentiality, CAs are encouraged to publish the outcomes of the analysis as well as aggregated cost figures. The publication of the results of benchmarking assessments can bring benefits to the market in the form of "peer pressure" for IORPs to select cost-efficient asset managers and improve further competition between service providers. In addition, cost data may be also used internally for official statistics and research activities.
- 4.7. CAs should encourage IORPs to disclose the reported costs and charges to the sponsor and to the public.

Questions to stakeholders:

Q12: Do you agree that supervisors should conduct comparative analysis of IORPs' cost levels to assess efficiency, affordability and value for money offered to members and beneficiaries? Please explain and provide any suggestions for such analysis.

Q13: Do you agree that supervisors should be encouraged to publish aggregated cost levels and the results of the comparative cost analyses and that they should encourage IORPs to publicly disclose their cost levels? Please explain.

Q14: Do you have any other comments on the draft Opinion? If yes, please provide these other comments.

5. Monitoring by EIOPA

- 5.1. Two years following the publication of this Opinion, EIOPA will look into the supervisory practices of the CAs with a view to evaluate supervisory convergence.
- 5.2. This Opinion will be published on EIOPA's website.

Done at Frankfurt am Main, [*]

[Signed]

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Chairperson

For the Board of Supervisors

Annex 1: Analysis of costs and benefits

Problem definition

Unlike the investment fund sector, where international market standards on the calculation of costs have been developed, the pension market has faced lower market incentives¹⁷ to develop national and international standards on costs that follow a look-through approach.

The impact of costs can be very significant. Pension pots can end up much smaller than expected because investments carried higher costs than anticipated. The findings of AFM report on 'Cost of pension funds needs more attention', published in April 2011, show that costs overly influence retirement pensions.

Without transparent cost data, it is not possible to assess how well different IORPs are performing in practice. In order to ensure comparability of IORPs, cost information should be consistent, and include all the costs in the value chain that are reducing a gross return or the asset value, as any fees or charges deducted from investment portfolios ultimately come out of members' contracts.

However, currently most CAs do not collect granular cost data. EIOPA conducted in 2020 a questionnaire aimed at mapping the instruments used by CAs to collect information related to IORPs costs. The results (see Annex 4) show that cost disclosure is not effective across the European Union. Most CAs receive IORP costs information as part of the annual accounts, which follow national accounting rules. Consequently, only IORP direct expenses are included in the annual account, but not transaction costs that are often implicit in an agreed 'net' transaction price and therefore hidden. Such costs are not paid directly by the IORP but have always been charged to an invested fund, and effectively reduce the returns achieved by that fund. As a result a look-through approach is commonly not possible. In addition, in most Member States expenses can be set off against revenues. This means that the expenses listed in the annual account are not explicitly disclosing all of the costs, for instance related to the investments.

At the European level the IORP II Directive introduced structural cost disclosure requirements for IORPs, both towards prospective and actual scheme members. Nonetheless, the directive does not further specify which costs should be covered, according to which criteria and how detailed the breakdown should be or how the costs should be presented.

However, for investment firms MiFID II requires to disclose to clients all costs and charges in connection with the investment service and costs and charges associated with the financial instruments. Third party payments received by investment firms in connection with the investment service provided to a client should be itemised separately. ESMA guidelines and Q&A provide more specific details on how to report specific costs. As institutional clients, IORPs should be able to request to service

¹⁷ Unlike pension schemes, mutual funds are targeted to both institutional and retail investors.

providers the itemised cost disclosure under MiFID II to collect detailed data on investment and transaction costs and report it accordingly to the CA.

In addition, the urgency of the uniform reporting of cost data has increased since the European Commission has already in 2017 requested EIOPA to include occupational DC schemes in its costs and past performance reports.¹⁸

Objective

A transparent and comprehensive view of all costs and charges is essential for IORPs, social partners and supervisors to assess the value for money and affordability of occupational pension schemes. Jointly with comparable risk and return information, comparable cost information across IORPs can contribute to putting national pension markets on sound foundations.

The main objective of the Opinion is to set out EIOPA expectations towards CAs on the collection of cost data from IORPs, based on reporting templates and reporting principles to be followed. It also sets out expectations on the supervisory actions to be taken by the CA where necessary, based on the collected cost data.

The rationale is that without a comprehensive overview of costs, it is not possible to assess whether IORPs are failing to deliver “value for money” and whether there are conflicts of interest or other efficiency problems in the pension market.

In addition, the experience of CAs shows that requiring cost transparency (reporting or disclosure) based on look-through positively impacts on the cost levels of IORPs. Transparency of costs lead to rankings and drives costs down. For instance, in the Netherlands costs have decreased up to 10 times compared to the costs levels before a transparent cost reporting was introduced.

The following options have been considered with respect to the Opinion:

- 1) High level principles for reporting
- 2) Common minimum standards on reporting
- 3) Development of reporting templates for IORPs to report data to the CAs, according to principles, as well as templates for IORPs to collect data from service providers

Option 1: High level principles for reporting

Advantages	Disadvantages
CAs: <ul style="list-style-type: none"> • Easier to implement across a range of different IORPs 	CAs: <ul style="list-style-type: none"> • No comparability across IORPs if the reporting is not standardised in a granular way,

¹⁸ <https://eiopa.europa.eu/Pages/News/EIOPA-receives-request-on-costs-and-past-performance-of-IBIPs,-personal-pension-products-and-Defined-Contribution-pension-s.aspx>

<p>IORPs:</p> <ul style="list-style-type: none"> • More flexibility for specific types of IORPs 	<ul style="list-style-type: none"> • Not possible to assess the consistency of the reported data • More resource intensive to implement <p>IORPs:</p> <ul style="list-style-type: none"> • If the reporting is not standardised, less certainty on reporting content and form and higher compliance risk • Higher costs of collecting and analysing the data
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Option 2: Common minimum standards on reporting

Advantages	Disadvantages
<p>CAs:</p> <ul style="list-style-type: none"> • Allows for a base level of comparability between IORPs • Allows for some tailoring of approach to size, nature, scale of activities 	<p>CAs:</p> <ul style="list-style-type: none"> • No comparability across IORPs • More resource intensive to implement • Could risk some principles not to be implemented or considered due to minimal approach <p>IORPs:</p> <ul style="list-style-type: none"> • Less certainty on reporting content and form • Some compliance risk • Costs of collecting and analysing the data

Option 3: Development of reporting templates for IORPs to report data to the CAs, according to principles, as well as templates for IORPs to collect data from service providers

Advantages	Disadvantages
<p>CAs:</p> <ul style="list-style-type: none"> • Greatest level of granularity would allow quantitative assessments and high quality supervisory actions 	<p>CA:</p> <ul style="list-style-type: none"> • lack of flexibility to adjust the templates for specific features of types of IORPs <p>IORPs:</p>

<ul style="list-style-type: none"> • Highest possible level of comparability and consistency of reported data • Stronger supervisory convergence • Proportionality of the tool, as it facilitates cost transparency in an cost-efficient way <p>IORPs: A uniform reporting template to collect data from services providers would probably help IORPs, as they would:</p> <ul style="list-style-type: none"> • improve the quality of the data provided to IORPs • reduce the costs of collecting and analysing these data by IORPs in particular that the reporting of investment and transaction costs can be collected from service providers based on MiFID II disclosures • More certainty on reporting content and form • lead to better comparable information for CAs • Have a clearer and more detailed understanding of the charges of their investments. 	<ul style="list-style-type: none"> • The most resource intensive and expensive for IORPs, particularly for smaller entities
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EIOPA has considered three options for the present Opinion. The option that has more advantages and represents a proportionate approach is Nr. 3, namely to set out reporting templates for IORPs to report data to the CAs, according to principles, as well as templates for IORPs to collect data from service providers.

Annex 2: Supervisory cost reporting templates

CAs are expected to require IORPs to submit cost reporting data to the CA following the template presented in Table 2 of this Annex. For the purposes of this Annex, the definitions listed in Table 1 should apply.

The further breakdown of cost types and associated definitions in the table below aims at securing uniformity of the reported data. IORPs should verify whether they have identified the full range of costs.

Table 1 – Definitions

Cost category	Definition
Investment costs	<p>All on-going and one-off investment costs incurred in connection with the management of assets (excluding portfolio transaction costs), which should include:</p> <ul style="list-style-type: none"> • Fiduciary fees (risk management fee, remuneration strategic and fiduciary advice, including VAT) • Remuneration to the external asset manager for management of (discretionary) portfolios (strategic and investment advice, research, the management of assets and liabilities), including any fees and charges paid through Net Asset Value (less management fee rebate) • Remuneration paid to the external asset manager for the management of the investment funds. Services covered by the fund management fee include the day-to-day management of investment funds and portfolios, the administration thereof, reporting and communication with investors, including any fees and charges paid through Net Asset Value (less management fee rebate) • Investment administration: remuneration paid to an administrator for the administration of assets and liabilities in the fund, and for other bookkeeping and reporting activities. Execution of administration of the investments may be outsourced to specialist companies by the pension fund and/or asset manager. • Internal management costs: all expenses (operational costs) incurred for the internal management of assets, such as personnel costs allocated to the asset management, facility costs or advice costs borne by the IORP.

	<ul style="list-style-type: none"> • Custody or safekeeping of securities in a fund, payable by the fund & depositary fees (AIFs), if not reported jointly with investment administration costs • Other asset management costs: Fees incurred for the establishment of funds or partnerships, auditing costs of the investments, consultancy fees, and fees including financing fees, technology costs, performance fees including paid through NAV, tax advice • Stock lending and borrowing fees • For investments in property: management property expenses • Where applicable, costs of guarantees
Transaction costs	<p>All transaction costs, which should include costs incurred as a result of the acquisition and disposal of investments, including indirect transaction costs for when part of the portfolio is invested in one or more investment funds:</p> <ul style="list-style-type: none"> • Explicit costs such as broker commissions (exchange fees, settlement fees, clearing fees) and transaction taxes (Financial transaction tax) <p>Amounts charged to investors at the entry into or withdrawal from an investment fund, in favour of the fund, the manager, and/or the already existing investors.</p> <ul style="list-style-type: none"> • Indirect transaction costs: subscription and redemption fees charged by underlying investment funds • Acquisition costs (within investment funds or, in fund-of-funds structures) such as broken deal expenses, appraisal and auditing fees, fiscal and legal consultancy fees related to transactions, bank fees • Costs of direct investments in private equity • Implicit transaction costs, which represent the loss of value implied by the difference between the buying or selling price and the mid-market price of the asset (embedded in the bid-offer spread)

Administrative costs	<p>All administrative costs of the IORP:</p> <ul style="list-style-type: none"> • Collection of contributions/premiums, pension payments, accrued pension rights, value transfers • General administrative costs such as staff and premises • Communication to participants and employer • Oversight (certifying actuary, auditor) and advice (except for asset management related advice) • Where applicable, any cost for the distribution of the IORP, including to sponsors
Sponsor costs	Additional costs borne by the sponsor ¹⁹ , not charged to the IORP

¹⁹ For example transaction costs (broken deal costs), administrative costs (staff, IT equipment and office)

Table 2 – IORP cost reporting template to CA

Cost category	Definition	In reporting currency	In % assets	[Optional: add columns per asset class]
Investment costs	All on-going and one-off investment costs incurred in connection with the management of assets (excluding portfolio transaction costs):	[figure should be inserted]	[figure should be inserted]	[figure should be inserted]
	- of which costs of safekeeping of assets			
Transaction costs	All transaction costs, which should include costs incurred as a result of the acquisition and disposal of investments, including indirect transaction costs for when part of the portfolio is invested in one or more investment funds	[figure should be inserted]	[figure should be inserted]	[figure should be inserted]
Administrative costs	All administrative costs of the IORP	[figure should be inserted]	[figure should be inserted]	[figure should be inserted]
		[figure should be inserted]	[figure should be inserted]	[figure should be inserted]
	- of which cost for the distribution of the IORP to sponsors			
Sponsor costs	Additional costs borne by the sponsor ²⁰ , not charged to the IORP	[figure should be inserted]	[figure should be inserted]	[figure should be inserted]

²⁰ For example transaction costs (broken deal costs), administrative costs (staff, IT equipment and office)

Annex 3: IORP investment cost collection template (from asset managers)

In order to report investment and transaction costs, IORPs can use the following template to request detailed cost data from fiduciary managers, external asset managers and other service providers.

Preferably the costs collected from the asset manager include the itemised list provided in Table 1 below, in order to enable the IORP to request a detailed report from fiduciary/external asset manager(s), and conduct a due diligence on the quality of the data provided by the fiduciary/asset manager(s) with regards investment and transaction costs.

When the CAs deems necessary to collect more granular data, CAs should request IORPs to provide more granular cost information than the template in Annex 2. This can be done for instance by requesting the filled in template presented in Table 1 of this Annex in order to assess the reporting consistency.

Table 1 – IORP investment and transaction collection cost template from service providers

Cost category	Definition	In reporting currency	In % assets	[Optional: add columns per asset class]
Investment costs	Total on-going and one-off investment costs incurred in connection with the acquisition or disposal of assets (excluding portfolio transaction costs):	[figure should be inserted]	[figure should be inserted]	[figure should be inserted]
	Detailed costs broken down per item:			
	<ul style="list-style-type: none"> Fiduciary fees (risk management fee, Remuneration strategic and fiduciary advice, including VAT) 	[figure should be inserted]	[figure should be inserted]	[figure should be inserted]
<ul style="list-style-type: none"> Remuneration to the external asset manager for management of (discretionary) portfolios (strategic and investment advice, research, the management of assets and liabilities), including any fees and charges paid through Net Asset Value (less management fee rebate) 	[figure should be inserted]	[figure should be inserted]	[figure should be inserted]	

	<ul style="list-style-type: none"> Remuneration paid to the external asset manager for the management of the investment funds. Services covered by the fund management fee include the day-to-day management of investment funds and portfolios, the administration thereof, reporting and communication with investors, including any fees and charges paid through Net Asset Value (less management fee rebate) 	[figure should be inserted]	[figure should be inserted]	[figure should be inserted]
	<ul style="list-style-type: none"> Investment administration: remuneration paid to an administrator for the administration of assets and liabilities in the fund, and for other bookkeeping and reporting activities. Execution of administration of the investments may be outsourced to specialist companies by the pension fund and/or asset manager 	[figure should be inserted]	[figure should be inserted]	[figure should be inserted]
	<ul style="list-style-type: none"> Internal management costs: all expenses (operational costs) incurred for the internal management of assets, such as personnel costs allocated to the asset management, facility costs or advice costs borne by the IORP. 	[figure should be inserted]	[figure should be inserted]	[figure should be inserted]
	<ul style="list-style-type: none"> Custody or safekeeping of securities in a fund, payable by the fund & depositary fees (AIFs), if not reported jointly with investment administration costs 	[figure should be inserted]	[figure should be inserted]	[figure should be inserted]
	<ul style="list-style-type: none"> Other asset management costs (Fees incurred for the establishment of funds or partnerships, auditing costs of the investments, consultancy fees, and fees including financing fees, technology costs, performance fees including paid through NAV, tax advice) 	[figure should be inserted]	[figure should be inserted]	[figure should be inserted]
	<ul style="list-style-type: none"> Stock lending and borrowing fee 	[figure should be inserted]	[figure should be inserted]	[figure should be inserted]
	<ul style="list-style-type: none"> For investments in property: property expenses 	[figure should be inserted]	[figure should be inserted]	[figure should be inserted]
	<ul style="list-style-type: none"> Costs of direct investments in private equity 	[figure should be inserted]	[figure should be inserted]	[figure should be inserted]

	<ul style="list-style-type: none"> Where applicable, costs of guarantees 	[figure should be inserted]	[figure should be inserted]	[figure should be inserted]
Transaction costs	Total costs incurred as a result of the acquisition and disposal of investments, including indirect transaction costs for when part of the portfolio is invested in one or more investment funds:	[figure should be inserted]	[figure should be inserted]	[figure should be inserted]
	Broken down cost per item:			
	<ul style="list-style-type: none"> Explicit costs such as broker commissions (exchange fees, settlement fees, clearing fees) and transaction taxes (Financial transaction tax) 	[figure should be inserted]	[figure should be inserted]	[figure should be inserted]
	Buy and sell costs for direct holdings in investment funds - Amounts charged to investors at the entry into or withdrawal from a fund (allocation or withdrawal of monies to an investment fund), in favour of the fund, the manager, and/or the already existing investors.	[figure should be inserted]	[figure should be inserted]	[figure should be inserted]
	<ul style="list-style-type: none"> Indirect transaction costs: subscription and redemption fees charged by underlying investment funds. 	[figure should be inserted]	[figure should be inserted]	[figure should be inserted]
	<ul style="list-style-type: none"> Acquisition costs (within investment funds or, in fund-of-funds structures) such as broken deal expenses, appraisal and auditing fees, fiscal and legal consultancy fees related to transactions, bank fees 	[figure should be inserted]	[figure should be inserted]	[figure should be inserted]
	<ul style="list-style-type: none"> Implicit transaction costs, which represent the loss of value implied by the difference between the buying or selling price and the mid-market price of the asset (embedded in the bid-offer spread) 	[figure should be inserted]	[figure should be inserted]	[figure should be inserted]

Annex 3.1: Itemised MiFID II classification of costs and charges to be disclosed by investment firms to clients

For the reporting to the CA on investment and transaction costs in Table 2 of Annex 2, aggregated costs items as presented in Table 3 of this Annex can be used.

For that purpose, the MiFID II itemised tables included in Table 2 of Annex 3 below have to be collected, or aggregated where diverse service providers are providing services to the IORP, including where the IORP manages investments internally, in order to collect investment and transaction costs, instead of Table 1 of Annex 3. IORPs can use the itemised MiFID II breakdown of costs relating to investment/ancillary services and financial instruments to calculate a generic classification of investment/transaction costs.

The following items will not be included in the MiFID II breakdown and would have to be added by the IORP itself:

- Direct investment costs of the IORP (i.e. staff and equipment);
- All charges and incidental costs related to direct investments in property and private equity;
- All costs related to transactions related to direct investments in property and private equity.

According to Article 24(4) of MiFID II and Article 50(2) of the Commission Delegated Regulation (EU) 2017/565, firms should aggregate costs and charges in connection with the investment service and costs and charges associated with the financial instruments. Third party payments received by investment firms in connection with the investment service provided to a client should be itemised separately. The aggregated costs and charges should be totalled and expressed both as a cash amount and as a percentage.

This does not only apply to investment firms providing "portfolio management" services but also investment firms providing brokerage services relating to the "reception and transmission of orders in relation to one or more financial instruments" and the "execution of orders on behalf of clients".

According to Article 24(4) of MiFID II, where the client so requests, an itemised breakdown should be provided. Where applicable, such information should be provided to the client on a regular basis, at least annually, during the life of the investment.

Annex 2 of the Commission Delegated Regulation specifies the itemised breakdown to be provided:

Table 2 - itemised breakdown of investment and transaction costs according to Annex 2 of the Commission Delegated Regulation

<i>MiFID II Annex 2 - Table 1 - All costs and associated charges charged for the investment service(s) and/or ancillary services provided to the client that should form part of the amount to be disclosed</i>			
	Cost items to be disclosed:		Examples:
1.1	One-off charges related to the provision of an investment service	All costs and charges paid to the investment firm at the beginning or at the end of the provided investment service(s).	Deposit fees, termination fees and switching costs.
1.2	On-going charges related to the provision of an investment service	All on-going costs and charges paid to investment firms for their services provided to the client.	Management fees, advisory fees, custodian fees.
1.3	All costs related to transactions initiated in the course of the provision of an investment service	All costs and charges that are related to transactions performed by the investment firm or other parties.	Broker commissions, entry- and exit charges paid to the fund manager, platform fees, mark ups (embedded in the transaction price), stamp duty, transactions tax and foreign exchange costs.
1.4	Any charges that are related to ancillary services	Any costs and charges that are related to ancillary services that are not included in the costs mentioned above.	Research costs. Custody costs.
1.5	Incidental costs		Performance fees
<i>MiFID II Annex 2 - Table 2 - All costs and associated charges related to the financial instrument that should form part of the amount to be disclosed</i>			
	Cost items to be disclosed:		Examples:
2.1	One-off charges	All costs and charges (included in the price or in addition to the price of the financial instrument) paid to product suppliers at the beginning or at the end of the investment in the financial instrument.	Front-loaded management fee, structuring fee, distribution fee.
2.2	On-going charges	All on-going costs and charges related to the management of the financial product that are deducted from the value of the financial instrument during the investment in the financial instrument.	Management fees, service costs, swap fees, securities lending costs and taxes, financing costs.

2.3	All costs related to the transactions	All costs and charges that incurred as a result of the acquisition and disposal of investments.	Broker commissions, entry- and exit charges paid by the fund, mark ups embedded in the transaction price, stamp duty, transactions tax and foreign exchange costs.
2.4	Incidental costs		Performance fees

Currently, MiFID II does not include a requirement that investment firms should provide an ISIN-by-ISIN breakdown of costs and charges. ESMA's Technical Advice to the Commission on the impact of the inducements and costs and charges disclosure requirements under MiFID II (31 March 2020, ESMA35-43-2126) recommends that investment firms should also be required to provide an ISIN-by-ISIN cost breakdown at the request of clients.

The industry²¹ has developed templates for asset managers to collect and disclose MiFID II cost data to clients, European MiFID II Template - Version 3.0. This template can be used as a starting point for the collection of data.

Where the IORP is relying on MiFID II itemised cost disclosures for the reporting of investment and transaction costs to the CA, the following cost items from Table 2 should be included in "investment costs" and "transaction costs" of Table 1 of Annex 2.

Table 3

INVESTMENT COSTS	
1.1	One-off charges related to the provision of an investment service
1.2	On-going charges related to the provision of an investment service
1.4	Any charges that are related to ancillary services
1.5	Incidental costs related to the provision of an investment service
2.1	One-off charges related to the financial instruments
2.2	On-going charges related to the financial instruments
2.4	Incidental costs related to the financial instruments
*	Direct investment costs IORP (i.e. staff and equipment)
**	All charges and incidental costs related to direct investments in property and private equity

²¹ The European MiFID II template has been developed by FinDatEx (Financial Data Exchange Templates), a joint structure established by representatives of the European financial services sector with the view to coordinate, organise and carry out standardisation work to facilitate the exchange of data between stakeholders in application of European Financial markets legislation, www.FinDatEx.eu

TRANSACTION COSTS	
1.3	All costs related to transactions initiated in the course of the provision of an investment service
2.3	All costs related to the transactions related to the financial instrument
***	All costs related to transactions related to direct investments in property and private equity

Annex 4: Summary outcomes survey

In 2020, EIOPA conducted a questionnaire aimed at mapping the instruments used by CAs to collect information related to IORPs costs. The results showed that most CAs receive IORP costs information as part of the annual accounts, which follow national accounting rules. Consequently, only IORP direct expenses are included in the annual account, but not transaction costs that are often implicit in an agreed 'net' transaction price and therefore hidden. Such costs are not paid directly by the IORP but have always been charged to an invested fund, and effectively reduce the returns achieved by that fund. As a result a look-through approach is commonly not possible. In addition, in most Member States expenses can be set off against revenues. This means that the expenses listed in the annual account are not explicitly disclosing all of the costs, for instance related to the investments.

Table 1 lists the documents most commonly collected by CAs as cost data source and provides the number of CAs per type of document. Five CAs did not complete the cost section of the survey, because IORPs are largely absent.

While annual accounts usually include administrative and investment expenses, these details are limited to the direct expenses of the IORP and do not cover indirect costs such as investment and transaction costs that are reflected in the Net Asset Value. In addition, in several Member States, accounting rules allow to set off costs against revenues in the annual account of the IORP.

Costs reported in annual accounts are most often at IORP level.

Table 1 – Current reporting of cost data to CAs

Type of cost source data/document	Number of CAs
Costs included in the IORPs' annual accounts	23 CAs
The breakdown of costs included in the IORPs' Pension Benefit Statements (PBSs)	7 CAs
Costs in pre-enrolment documents for prospective members	5 CAs
Granular broken down costs for supervisory reporting of costs and charges, other than covered in the three rows above	8 CAs
None of the above	2 CAs

In majority of Member States, CAs do not collect the costs of the sponsor (14 CAs).

Annex Summary of Questions to Stakeholders

Questions to stakeholders:

Q1: Do you agree with the objective of implementing a transparent and comprehensive cost reporting for supervisory purposes? Please explain.

Q2: Do you agree that Annex 1 provides a balanced view of the costs and benefits of the draft Opinion? Please explain and provide any suggestions.

Q3: Do you agree with the generic cost classification distinguishing investment, transaction and administration costs as well as costs borne by the sponsor? Please explain and provide any alternative classification that should be considered.

Q4: In your view, do the definitions in Annex 2 cover the most important items of investment, transaction and administrative costs? Please explain and provide any suggestions for the inclusion of other cost elements not explicitly mentioned in the definition.

Q5: Do you agree that all costs should be reported as nominal amounts in the reporting currency and as a percentage of average assets under management? Please explain.

Q6: Do you agree that the cost reporting should also be at the level of the schemes/investment options where IORPs provide multiple schemes/investment options with different investment policies? Please explain and provide any benefits of or obstacles to report costs at the level of pension schemes or investment options.

Q7: Do you agree with the principles for the compilation of information on costs and charges:

- look-through and no netting;
- costs paid directly by the sponsor;
- matching;
- taxation;
- reporting currency;
- estimations;
- proportionality?

Please explain and provide any suggestions to improve the principles.

Q8: Do you agree that the possibility under MiFID II to request investment and transaction cost data from portfolio managers and transaction counterparts will facilitate the supervisory cost reporting by IORPs? Please explain and describe any limitations observed with MiFID II disclosure requirements in practice.

Q9: Are you aware of other cost classifications used by IORPs to collect information on costs and charges from portfolio managers and transaction counterparts? If yes, please describe and explain these other cost classifications.

Q10: Does in your view the investment cost template in Annex 3 facilitate the collection of costs by IORPs from portfolio managers? Do you agree that the more detailed breakdown of costs enhances the understanding of IORPs in the underlying

investment cost structure? Please explain and provide any suggestions to enhance the practicality and insightfulness of the template.

Q11: Do you agree that supervisors should have discretion to determine the level of cost reporting requirements for DB IORPs under paragraph 3.14 to ensure an approach that is proportionate to the objectives? If yes, in what way:

- reduced scope of costs reporting (e.g. only investment, transaction, administrative costs),
- lower frequency of reporting,
- full exemption for certain DB IORPs,
- other.

Please explain.

Q12: Do you agree that supervisors should conduct comparative analysis of IORPs' cost levels to assess efficiency, affordability and value for money offered to members and beneficiaries? Please explain and provide any suggestions for such analysis.

Q13: Do you agree that supervisors should be encouraged to publish aggregated cost levels and the results of the comparative cost analyses and that they should encourage IORPs to publicly disclose their cost levels? Please explain.

Q14: Do you have any other comments on the draft Opinion? If yes, please provide these other comments.

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