Revision of IORP Directive must not lead to higher costs and shrinking occupational pensions

CEEMET, ECEG and industriAll European Trade Union joint views on the planned initiative on IORP (Institutions for Occupational Retirement Provision) within the context of the White Paper on "an agenda for adequate, safe and sustainable pensions".

We share the European Commission´s view that occupational pensions schemes will be of increasing importance to secure adequate old-age provisions in all Member States. We also agree on the necessity to secure pension claims against the risks of financial markets. However, the plans of the European Commission do not take into account that the occupational pension schemes concerned are not exposed to those risks and furthermore usually secured through national security instruments. In fact, the envisaged revision of the IORP Directive could even have a negative effect on occupational pensions and thus contradict the explicit goal spelled out in the White Paper to strengthen the second pillar, occupational pension, of the pension system.

Therefore, CEEMET, ECEG and industriAll Europe oppose applying a Solvency II-like own-funds requirement to occupational pension provision institutions, as proposed in the White Paper on "an agenda for adequate, safe and sustainable pensions". Those plans would considerably increase the costs of occupational pension provision schemes provided by companies/sectors and threaten to reduce pension claims. This would have a direct negative impact on both employers and employees. This type of "second pillar" pensions were never meant to be traded on the free market and were always limited to companies' employees. Their nature has not changed and will not change. Therefore CEEMET, ECEG and industriAll Europe believe that it is unnecessary to change their regulation.

In times where the first pillar of the pension system, or state pension, is unfortunately decreasing in numerous European countries, with a view to meet the challenges of demographic change and increasing public debt, the second pillar in particular gains importance. This applies to Member States as well as to employees and companies, for the latter of which occupational pension schemes become an ever more important tool for retaining skilled workers.

If Solvency II-like own-funds requirements were adopted, it would burden the concerned companies and hinder investment and innovation and reduce the pension claims of the affected employees. It could even lead to the closing of pension schemes and thus lead to the decline and possibly even the loss of pension benefits for employees.

Pension systems differ greatly across Europe

Occupational pension schemes are a proven, reliable pillar of the pension system which corresponds to the objectives in terms of sustainability, safety, portability, and information – there is no need for the currently planned regulation at European level. Rather, regulating the individual pillars of the pension system at European level threatens to jeopardise the equilibrium between statutory, occupational, and private pensions. Furthermore, IORPs are social institutions organised by the employers and employees that do not sell any financial market products traded on the free market. A pan-European "level playing field" is neither required nor does it make sense.

Some countries in the EU have long standing and highly developed occupational pension systems. The landscape of pension systems in Europe is highly diversified. This is due to the equally diversified national systems of social security, labour law, and the organisation of the labour markets.

Any existing rules regarding pension systems, and any possible further developments of this topic must always keep track of the extremely different national systems, especially as regards occupational pension schemes, and must by no means jeopardise their possible future development and enhancement.

Currently, there are three different pillars of the pension system – statutory, occupational and individual pension schemes. In a number of countries, companies or sectors widely use occupational pensions that are not based on insurance products and are very different from those: such company pensions schemes are often negotiated by social partners and are not offered to clients but to employees only. Employees are frequently trustees of such schemes. Occupational pensions are not financial products aimed at making a profit.

Furthermore, the legal provisions regulating the insurance industry are not transferable to institutions for occupational pension provision because of a lack of comparability: the latter institutions do not offer financial services products and are therefore not in competition with other old-age pension products on the open market.

Different rules for different institutions

CEEMET, ECEG and industriAll Europe are therefore very concerned by the announced legislative proposal to review the IORP Directive and the intention to apply Solvency II-like requirements (Directive 2009/138/EC on EU insurance regulation).

Applying Solvency II-like requirements to occupational pension provisions would considerably increase the costs of occupational pension provision and would affect both employers and employees.

The capacity of concerned companies and sectors to invest and innovate would be weakened. Employees' pension claims would be reduced, or pension schemes could even be closed.

In this context, we question the concept of a "Holistic Balance Sheet" put forward by EIOPA (European Insurance and Occupational Pensions Authority) in its reply to the Commission's Call for Advice. It is very unlikely that this approach will lead to fair and adequate recognition of the diverging security tools for IORPs in the various countries.

Refrain from extending own-funds requirements

We therefore call upon the European Commission to refrain from extending the own-funds requirements under the Solvency II Directive (that are to be applied to the insurance industry as from July 2013) to institutions for occupational pension provision within the framework of the planned change in the IORP Directive. This would lead to a grave loss of efficiency for occupational pension schemes without any gain in security and stability.

Currently planned regulation not needed

Social partners of our industries in various Member States have created attractive overall terms and conditions for employers and employees in the field of occupational pension provision. In this way, social partners are making a significant contribution to the old-age protection of workers. In fact, where social partners have been involved in the management of these systems, they have greatly contributed to the security and solidity of the pension funds whether it be at company, or at national level. This must not be jeopardised by unnecessary regulation at European level.

27 September 2012

About CEEMET, industriAll European Trade Union and ECEG:

CEEMET (Council of European Employers of the Metal, Engineering and Technology-Based Industries) is the European employers' organisation representing the interests of the metal, engineering and technology-based industries. Through its national member organisations it represents 200 000 companies across Europe. The vast majority of them are SMEs, providing over 13 million jobs of direct employment.

industriAll European Trade Union represents 7.1 million workers across supply chains in manufacturing, mining and energy sectors on European level.

ECEG (European Chemical Employers Group) is the social affairs organisation of the European chemical industry, grouping national employers' federations of the sector from 24 countries. Via its national member federations ECEG represents some 10,000 companies of the chemical industry with more than 1 million employees in Europe.