AMICE Response to the Public consultation on EIOPA's regular information requests towards NCAs regarding the provision of occupational pensions information

1. Timeline and costs

Q1. What are your views regarding the proposed implementation timeline?

There is cause from legislative grounds to delay any further changes in the assets and derivatives reporting. In the Commission proposal on the Solvency II directive which is currently being discussed in the Council and European Parliament it is proposed in Article 35 that EIOPA should report, within two years after the proposal is enacted, on potential measures to develop an integrated data collection to reduce areas of duplications and inconsistencies between the reporting frameworks in the insurance sector and other sectors of the financial industry and to improve data standardisation and efficient sharing and use of data already reported within any Union reporting framework by any relevant competent authority, both Union and national. Such measures to develop integrated data and to reduce duplications should also affect IORPs**.** As both data on collective investment undertakings and on derivatives are relevant in the current consultation, EIOPA should refrain from introducing amendments on such data until the report and measures are finalised. Otherwise, we see a risk of several major reporting changes during a short period of time.

In addition to what is mentioned in the above, in order to further reduce the costs associated with changes in this consultation, we suggest that the new reporting requirements that are introduced despite the reservations expressed against this in our consultation reply should be introduced at the beginning of a new year, i.e., Q1, instead of at Q4 of the previous year. Delaying the reporting this way would be helpful to IORPs implementation of the reporting in practice, allowing IORPs both more time to adjust to and implement the changes.

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

Regarding the changes proposed in this consultation we believe that in many cases they should be considered major or substantial changes and as such, will be very costly to implement. In particular, changes pertaining to look through information for UCITS and the position-by-position reporting of derivatives will be very costly to implement. Some of the new requirements relating to assets reporting would also be major changes and require associated IT implementation, further adding to the costs. For instance, all IORPs required to provide quarterly data (list of assets) would have to provide the NACE codes on a quarterly basis.

Currently this data has only been required every two/three year in the context of EIOPA IORP stress test exercise and from a limited number of IORPs. Often adding this information would entail manual work, as data based on NACE codes is not a standard information provided by asset managers.

Further, as regards ESG data in the list of assets reporting such data is still scarce and developing. It is therefore premature to ask for ESG information currently. Also, depending on which proposals EIOPA decides to go ahead with, IORPs could face increased complexity and thus higher costs to implement changes being proposed in the expenses reporting, list of assets reporting and in providing the technical provision analyses reporting. Against this, we advocate that the most substantial areas pointed out in the above (and above all, the additional UCITS and derivatives reporting) not be introduced now but instead be pushed forward. The need for this information should be re-assessed again at a later stage.

Further alignment is needed

In relation to both questions 1 and 2 and as mentioned in the above, the most effective way to implement any new reporting requirements to IORPs would be to ensure that input on national and the EU level are aligned as much as possible on both definitions as well as on the items to be reported. An alignment with ECB requirements and alignment and consistency with the OECD definitions which are being used in the pension sector are of utmost importance as well.

The assessment should at the same time bear in mind that the objective with said requirements should be to meet above all the IORP Directive requirements and not introduce taxing or otherwise untoward additional requirements for IORPs, that go far and beyond this. In this sense a high degree of alignment is also expected with local NSAs responsible for the prudential supervision of the IORPs to ensure that the reporting needs and timeline is the most optimal and to coordinate with current national reporting requirements and with any other (reporting) changes that the IORPs may face in the near future. Lastly, we would urge that EIOPA also continues to closely align adjusting the reporting standards, definitions, and templates with the ECB reporting requirements for pension funds. This would reduce burden and costs to IORPs as well as for supervisors and NCBs.

2. Amendments to the balance sheet (PF.02.01)

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.

We understand that most of the changes proposed to this template (PF.02.01) are minor, and as such would be less burdensome and costly to implement (given that most specifications should be available already for other reporting purposes). However, regarding the costs of the implementation, in general the changes in the balance sheet could have constituted a cost reduction if they had instead been implemented originally in the review of 2018, but naturally now their implementation will introduce some implementation costs to IORPs to affect said changes.

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?

We would like to raise for your attention that for IORPs providing unit linked or similar benefits, analyses based on the balance sheet could be misinterpreted if assets held for members and beneficiaries in the balance sheet are not sufficiently distinguished from the reporting of other investment funds/share assets. Currently such assets are grouped together with other investment funds/shares. The risk of confusion may likely be increased should the proposed new and extended reporting of look through of investment funds also encompasses unit linked benefits. This issue could to some extent be avoided by introducing a separate data point for the reporting of such assets in PF.02.02 or at the very least maintaining a specific subcategory within the reporting of shares/funds where these assets can be reported separately from the assets of other collective investment undertakings. Alternatively, further explanations could be given in the PF.06.03 specifications making it abundantly clear that the focus of that reporting is exclusively collective investment undertakings and not also unit linked benefits.

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.

- Medium

Please explain your response to Q5.

See answer above

3. Amendments to the cross-border template (PF.04.03)

Q6. Do you agree that these changes are necessary for EIOPA in order to monitor cross-border developments? Please explain if not.

- Yes

We agree with EIOPA that changes proposed in relation to the template PF.04.03 are motivated and necessary for EIOPA to monitor cross-border developments.

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.

- Yes

As cross-border activity conducted by IORPs is generally very limited in scope, we deem that the proposed changes will not have any major impact in adding to reporting requirements or costs associated with implementing the new reporting requirements.

4. Amendments to the expense template (PF.05.03)

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

- No.

Please explain why you do not agree with the statement in Q8.

We disagree with the proposed changes to template PF.05.03. We mainly disagree with the proposal that IORPs should start reporting expenses in a different way than how they are reported on a national level and for the purpose of their financial reporting.

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

- No

Please explain why you do not agree with the statement in Q9.

Our assessment is that the impact of the added reporting requirements in PF.05.03 will not be low but will instead be high.

Two different sets of reporting for the collection of information on IORPs costs and charges should therefore be avoided. Should IORPs have to report expenses in a different way as to how they are reported locally and in their financial reporting, there will naturally be costs in developing such new reporting requirements. To add to this, there would also be costs incurred if the new expenses reporting would require a “look through approach to expenses” as EIOPA proposes, i.e., if costs for individual funds should be accounted for as an expense for the IORP in excess of fees paid. The proposal is as such too complicated.

Given the above reasons, it is preferable that IORPs continue to report in PF.05.03 according to national accounting principles whilst local NCAs, who are best placed to do so, could aid and ensure that EIOPA understands the reporting principles used by Member States, thereby achieving EIOPA’s aim of comparability between Member States.

5. Amendments to the list of assets (PF.06.02)

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.

- Yes

Please explain why you do not agree with the statement in Q10.

In relation to questions 10-15 of the consultation we are not supportive of the proposed changes to the list of assets (PF.06.02), which we perceive to be both complex and costly to implement.

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

See our comments below.

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.

We do not consider the changes as useful for IORPs own reporting or risk assessments. Most of the information that IORPs need for risk assessment and reporting are already available for them. Comparable and relevant information applied in IORPs own reporting or risks assessments is not collated and gathered according to the same detailed approach EIOPA applies in its IORP reporting, which is heavily influenced by the Solvency II reporting requirements for insurers, and thus with which it shares many of the same complexities, which makes this reporting very burdensome and costly.

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)?

In relation to the specific input requested we provide this in the below:

Double reporting should always be avoided. A concrete example of this is the new requirements being introduced to report assets pledged as collateral, which replicates the reporting to ESMA under the EMIR provisions. Therefore, data and information also reported according to EMIR and SFTR should not be required by EIOPA in the IORPs reporting, until the ongoing EU review has determined where and how assets and derivatives reporting should be collected (refer also to our answers to questions 1 and 2 above).

Some of the new data requested will require a lot of manual data collection and input, e.g., data on infrastructure investments, and some data could even be difficult to find, e.g., full and sufficient NACE code data to be provided on RGLAs. For these data points the costs of new requirements is expected to be high, also bearing in mind that some of them may require significant manual input, and they should not be introduced in the reporting framework now. Given this and with the object of the supervisory needs in mind, we also do not see that new RGLA details being requested are relevant in relation to the supervisory assessment of investment risks. If NACE information is nonetheless required, then EIOPA should provide a reconciliation table between all NACE codes and other international accepted standards (e.g. GIC codes).

The EU sustainable finance taxonomy regulation will give an indication of exposure to the various (NACE) sectors. To have a better picture of these exposures, using more granular NACE sub codes (4 digit) would provide better insights but this information is not necessarily available for many IORPs, and therefore, it would increase the reporting burden and costs. Even if this more granular NACE information would be available, we do not believe it would provide a fair picture of the ESG risks resulting from the portfolio held by the IORP.

On ESG related information, the EU is developing an integrated sustainability reporting system through the SFDR and CSRD, linked together with the ESAP. Under the SFDR, IORPs are required to report on many different ESG issues, such as their policies on ESG risks, the environmental and social characteristics of the pension scheme, the taxonomy exposure and the principal adverse impact indicators. Also, market data for all of these types of ESG information is developing and changing. Many IORPs will not have this information readily available and a market standard still needs to be developed. It may therefore be premature to request detailed ESG data on a regular basis from IORPs and we strongly question any further need for ESG data to be integrated in this reporting. Instead, due consideration should be given to putting these requests on hold until standards have been developed and these forms of ESG data are being used more regularly by IORPs. It should also be assessed whether the requested information will not already be collected through other EU statistical reporting, than the IORP reporting, thus avoiding introducing double reporting.

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?

Regarding EIOPA's observation on data quality issues related to the reporting of the external rating which are often left blank, we believe that to be able to have decent rating and data quality a more mature set of data, clearer definitions and providers are needed. Also, we believe that the quality issues may also in part be explained by the challenge posed to report at the granular level required by EIOPA in this template – e.g., IORPs working with external asset managers may receive aggregate information and not on an asset-by-asset basis, which is sufficient to them for their own risks' evaluation (refer below). In relation to external rating, we also oppose the proposed extended requirements on external rating information, as some national NCAs have previously communicated that IORPs will not need to acquire more rating services. Hence, we object to this proposal.

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.

- High

Please explain your response to Q15.

We assess the costs resulting from the changes to the List of Assets to be medium-high, due mainly to the implementation costs of gathering additional data (i.e. licensing costs and building/maintaining infrastructure) as well as setting up the necessary reporting tools and IT framework.

Also, we do not believe that EIOPA's aim of being able to better analyse the asset data received will be achieved through the proposed changes. Given this, we request that these changes are not introduced.

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.

- No.

Please explain why you do not agree with the statement in Q16.

We strongly oppose changes being introduced regarding the scope of what should be reported in the template PF.06.03. We believe the transitional exception for the reporting of UCITS (Undertakings for Collective Investment in Transferable Securities) should not be changed at the present time. It is premature to increase the IORP reporting presently by asking for detailed look through reporting for assets held in collective investment undertakings, this area should be revisited at a later stage instead.

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

See our comments below.

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)?

- High

Please explain your response to Q18.

We assess the costs resulting from these changes to be very high, as it is always more expensive to be obliged to use different sources to collect data that should be reported. This is the case with the look-through reporting. While we agree with the assertion made in question 17 that IORPs need to understand their exposures (to be able to manage them accordingly), we doubt whether the new reporting requirements will really add any additional benefits in this regard, where said benefits outweigh the increased administrative costs. If EIOPA needs additional information we believe it should instead make use of the ECB Centralised Securities Database (CSDB).

Also, in its current format the reporting risks capturing unduly assets held in IORPs with unit-linked or similar benefits. For IORPs with unit-linked or similar benefits we think there are two viable alternatives:

a) either to exclude those from look-through reporting (by including clear instructions to the PF.06.03 reporting) or

b) to split data points in PF.02.01 (and correspondingly in the PF.06.02 reporting) to ensure such assets are separated from the reporting of assets held in regards to other CIUs in the balance sheet or PF.06.02, thus making it clear that assets held in regards to the provision of unit linked or similar benefits are not in scope of PF.06.03. This would avoid misinterpretations when analysing data.

See also above related comments in Questions 3 and 4 regarding PF.02.01 and the reporting of assets for IORPs providing unit linked or similar benefits in that template.

6. Amendments to the derivative template (PF.08.02)

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.

- No.

Please explain why do you do not agree with the statement in Q19.

We strongly oppose the introduction of the derivates reporting, position-by-position, as proposed by the new PF.08.02 template. What is stated above for PF.06.03 applies in equal measure here as well. We believe at this time it would be premature to increase the IORP reporting presently by asking for detailed derivatives positions reporting, and this area should be revisited at a later stage instead. We assess the costs resulting from the potential inclusion of mandatory derivatives reporting in the EIOPA IORP reporting to be medium-high.

An analysis built only on the data now being asked would not give the whole picture of IORPs' exposure and would not give the whole picture of the market. It could lead to wrong conclusions from a supervisory perspective. Also, it should be added that this reporting, similarly to that of PF.06.02, will add considerable costs, e.g., by providing detailed rating information. As IORPs use derivatives to reduced risks in their investment portfolios, excessive reporting requirements should not result in discouraging IORPs to use them.

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?

- No

Please explain why you do not agree with the statement in Q20.

Given the above, we believe that NCAs are best placed to determine (separately) if and when additional information is needed in relation to derivatives positions held by IORPs. In its analysis, EIOPA could also significantly benefit from various already available information sources/reports on IORPs' investments in derivatives, such as: the data provided under the EMIR Regulation, the ESMA data and reports, the ECB pension funds statistics, and the data that NCAs have.

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)?

- High

Please explain your response to Q21.

See our comments above.

7. Amendments to the technical provisions template (PF.29.05)

Q22. Do you agree that there is a need for a comparable basis if EIOPA wants to assess risks at EEA level?

- No

Please explain why you do not agree with the statement in Q22

We are not supportive of the PF.29.05 reporting and thus we do not support any additional reporting in either PF.29.05 or in other templates developed to support EIOPA's analysis of information received in PF.29.05. Given this, we do not believe there is any need for EIOPA to collect cash flow information on a regular basis.

We agree that EIOPA may in some instances require “a comparable basis” if it wants to assess risks at EEA level, however, we disagree with the view held that the solution to this should emanate from adding untoward or burdensome additions in the existing IORP reporting. Achieving a level of comparability this way is very difficult to achieve in practice. Given that the IORP reporting in relation to technical provisions is based on national accounting principles and requirements due to the national implementation of the IORP II Directive, it is preferable that EIOPA does not extend the PF.29.05 reporting, but instead NCAs should provide analyses to EIOPA, if needed. This seems to be the most suitable option as NCAs are best placed to do so given their knowledge of the national accounting principles and they could help and ensure that EIOPA understands information received, thereby achieving EIOPA’s aim of comparability between Member States.

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

- No

Please explain why you do not agree with the statement in Q23.

We confirm that in many EAA jurisdictions IORPs do collect cash-flows, both as an input for the calculation of technical provisions and as input to our asset liability management and to check on liquidity risks. On a local basis, the national supervisor already collects information regarding cash flows, as part of local supervisory reporting. Adding an additional requirement from EIOPA to do the same in the IORP reporting thus introduces double reporting requirements and as such, should be avoided.

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?

- **Option 2 – Cash flow reporting (aggregated)**

Please explain your response to Q24.

While we oppose the proposed changes and do not support an extended version of PF.29 or additional reporting linked to it, from the options presented by EIOPA in the consultation paper and if the proposal is to be implemented, we would prefer option 2 or, as a second-best alternative, option 1. If option 3 would be chosen, the sensitivity analyses should be dropped. Such analysis would be difficult to assess and might lead supervisors to draw incorrect conclusions.

Are there other options not included in the above that would serve EIOPA’s objectives and should be considered? Please explain.

See comments above.

Q25a. How do you assess the costs resulting from Option 1 – Cash flow reporting?

- Medium

Please explain your response to Q25a.

See below.

Q25b. How do you assess the costs resulting from Option 2 – Cash-flow reporting (aggregated)?

- Medium

Please explain your response to Q25b.

See below.

Q25c. How do you assess the costs resulting Option 3 – Sensitivity analysis?

- High

Please explain your response to Q25c.

We assess that Option 3 would be associated with the highest cost to implement, while options 1-2 will be medium-high.