

EIORP 2005
The EFRP model for
pan-European pensions

John FEELY

Chairman, EIORP 2005 Working Group - EFRP

Brussels – 30th June 2004



Why do we need Pan-European Pension Institutions ?



- ✓ **demographic imbalance requires pre-funding**
- ✓ **single market for financial services and labour long overdue**
- ✓ **need to enhance competitiveness**

Stakeholders

◆ Governments

- ◆ Tax neutrality
- ◆ Effective fiscal supervision
- ◆ Prevention of tax evasion, reduced compliance cost
- ◆ Avoid EC Treaty infringements

◆ Employees

- ◆ Consistent benefits
- ◆ Increased efficiency
- ◆ Professional service
- ◆ Avoid complex series of transfers & benefits loss

◆ Employers

- ◆ Single culture, consistent benefits
- ◆ Single set of operating conditions
- ◆ Improved labour mobility
- ◆ Efficient risk management
- ◆ Better choice of financial service providers
- ◆ Cost reduction

Cost Savings

☞ **Areas :**

◆ Administration	}	15 basis points (0,15%)
◆ Compliance		
◆ Governance		

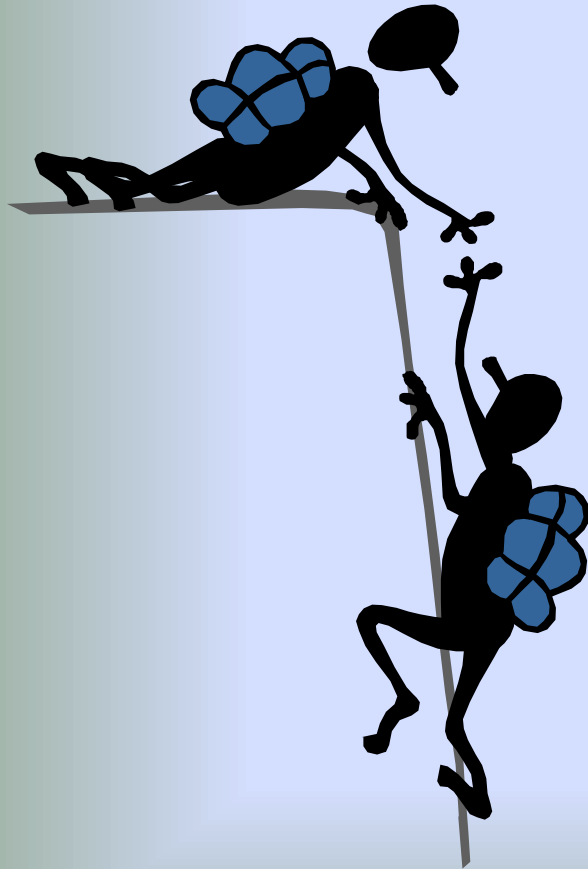
◆ Investments	}	30 basis points (0,30%)
smoothing in solvency capital		

**TOTAL 45 basis points
annually**

☞ **€10 billion EU wide**



Obstacles



- ◆ **Regulatory and supervisory issues**
- ◆ **Tax**
- ◆ **Social and labour law**
- ◆ **Members' governance**
- ◆ **Employment practices**

Solution: EIORP 2005

What does it look like given the

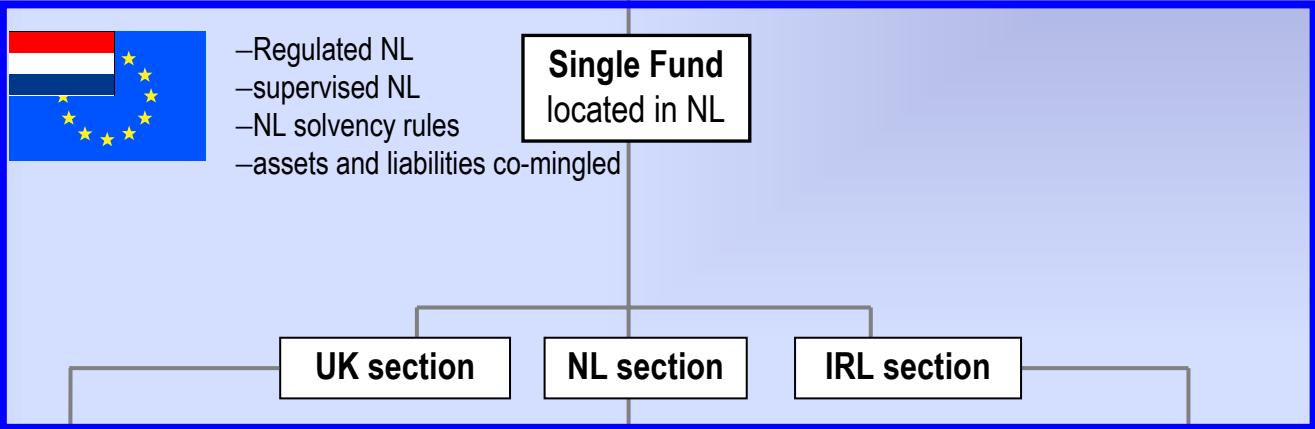
- *IORP Directive*
- *Tax developments*

EIORP 2005



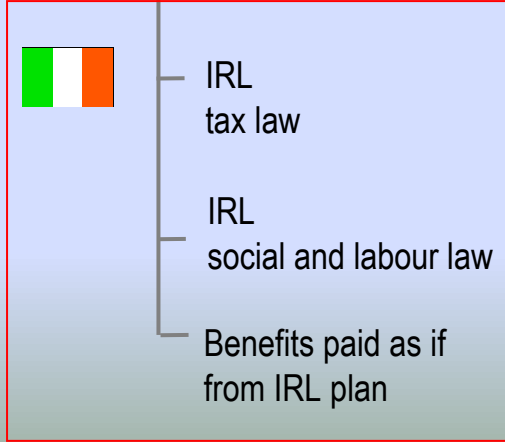
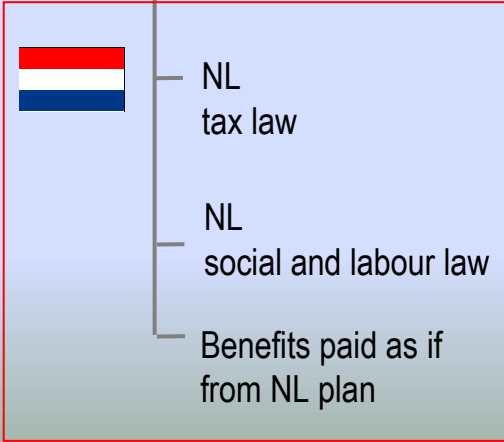
Dutch MNC
employees in NL, UK and IRL

Financial
Services
aspects



Taxation
aspects

Social and
Labour law



National sections

- ◆ **Enable multi-jurisdictional compliance with social and labour law**
- ◆ **IORP Directive compliance**
 - ◆ Home State prudential supervision
- ◆ **Tax Compliance**
- ◆ **Notional**
 - ◆ Share to be identified without compromising single pool of assets and liabilities
 - ◆ No legal personality
 - ◆ Plan Administrator

Other Issues



- ◆ Language
- ◆ Members' governance
- ◆ Surpluses
- ◆ Administration

Further steps



- ◆ **IORP transposition**
- ◆ **Cross border cooperation**
 - ◆ Supervisors
 - ◆ Regulators
- ◆ **Facilitate conversion into EIORPs**
- ◆ **Consistent pan-European framework**
- ◆ **Agreements with non-EU States**