



## EUROPEAN COMMISSION

Brussels, 8.6.2015  
C(2015) 3293 final

*Dear Chairman,*

*The Commission would like to thank the House of Commons for its Opinion concerning the proposal for a Directive on the activities and supervision of institutions for occupational retirement provision (recast).*

*The Commission notes that the House of Commons has considered in great detail the Commission's proposal. The Commission would like to reassure the House of Commons that it is aware of the diversity between Member States as to how they organise their pension systems, which was already recognised in Recital 9 of the Directive on the activities and supervision of institutions for occupational retirement provision (the 2003 IORP Directive) and is maintained in the current proposal. In addition, the IORP 2 proposal has a minimum harmonisation character. It aims to lay down common principles, leaving Member States the freedom to regulate their institutions for occupational retirement provision (IORPs) to a higher level if they so wish.*

*On the issue of subsidiarity, the Commission notes that limited cross-border activity is not in itself a conclusive argument against EU level action, since EU level action may itself stimulate such activity. IORPs exist in the great majority of Member States, not only in four of them. It is anticipated that they will become significant in more Member States in the future, a process which can be encouraged and supported by the establishment of an EU framework based on best practice (including UK best practice).*

*The Commission believes that cross-border activity may lead to efficiency gains and may thereby contribute to the further development of occupational pensions within the EU. Such efficiency gains could for example arise where companies active in several Member States set up a single occupational pension scheme for their employees, or where experienced providers from Member States with highly developed occupational pensions systems offer to set up occupational pension schemes for companies in other Member States.*

*The Commission acknowledges the House of Commons' observation that the financial crisis was a key factor in the failure of some institutions for occupational retirement provision. At*

*Sir William CASH, MP  
Chairman of the European Scrutiny Committee  
House of Commons  
Palace of Westminster  
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*the same time, in the Commission's view, the financial crisis revealed shortcomings in IORP governance that might not have surfaced in a non-crisis situation. The IORP 2 proposal, therefore, aims to adapt and improve key provisions of the 2003 IORP Directive, notably those relating to the governance of institutions, cross-border activity and transfers, information, transparency and prudential supervision.*

*As regards administrative costs arising from the IORP 2 proposal, the Commission made use of a study which – as with any study of this nature – was based on certain assumptions. Nevertheless, the Commission would like to highlight that the study was carried out taking account of observations from all relevant stakeholders, including the IORPs sector itself.*

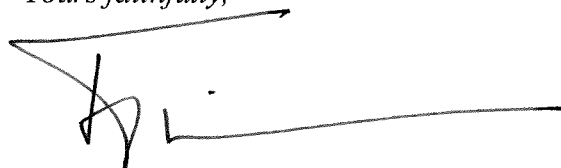
*In any event, the successive Council Presidencies have taken the work on the proposal forward. The Council's negotiation mandate of 10 December 2014 ('General Approach') for the negotiations with the European Parliament seeks to ensure a principles-based approach that preserves the substance of the Commission's IORP 2 proposal, whilst allowing flexibility for Member States on how to make those principles work in practice. This mandate also reflects specific needs of a trust-based system. The mandate also proposes changes in relation to information requirements, appointment of the depositary, professional requirements and rules on remuneration. The Commission will assess these proposals in the context of the ongoing legislative process.*

*The Commission remains committed to good, effective and transparent regulation. It is keen to maintain the constructive dialogue with the House of Commons with a view to ensuring that the IORP 2 proposal contributes to the development of efficient and safe occupational retirement provision in all the Member States of the European Union.*

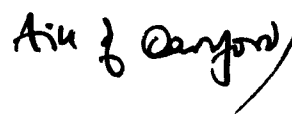
*The points made above are based on the initial proposal presented by the Commission, which as explained above, is currently in the legislative process involving both the European Parliament and the Council in which your Government is represented.*

*The Commission hopes that these clarifications address the concerns raised by the House of Commons and looks forward to continuing our political dialogue in the future.*

*Yours faithfully,*



*Frans Timmermans  
First Vice-President*



*Jonathan Hill  
Member of the Commission*