



February 2015

Social Dialogue in the Food and Drink Industry

Joint EFFAT-FoodDrinkEurope Position on the Proposed Revised Directive on the Activities and Supervision of Institutions for Occupational Retirement Provision (IORPs)

The European social partners in the food and drink industry, FoodDrinkEurope and the European Federation of Food, Agriculture and Tourism Trade Unions (EFFAT), share the Commission's view that, in the future, occupational pension schemes will be of increasing importance for the provision of an adequate income in retirement for many European citizens in the current environment of strained public finances and rapid demographic ageing. We also recognise that it is therefore very important that occupational pension schemes are designed so that their members benefit from and are protected by risk-related regulations, a range of which are currently in place in Member States.

Although the European food and drink industry mainly comprises SMEs, various types of occupational pension schemes are well-developed and quite widespread in this sector in a number of Member States. However, the pensions landscape across Europe varies considerably from country to country due to their different social security and industrial relations systems as well as their different cultures and legislative frameworks.

FoodDrinkEurope and EFFAT support the general principles of having good and effective governance arrangements, transparency over charges and costs as well as effective communications with members that underpin the Commission's proposals that are set out in the revised Directive on the Activities and Supervision of Institutions for Occupational Retirement Provision (IORPs) which was published on 27 March 2014. We also strongly support the Commission's decision not to include new and more stringent solvency-based funding requirements for IORPs in this proposed Directive as we had urged the Commission to exclude such requirements from this proposed Directive in our Joint Position on Solvency II that was published in May 2013.

However, we consider that some of the detailed provisions in this proposed Directive will work against the aim of ensuring that there are well-run pension arrangements which offer value for money to their members across the European Union.

In particular, we are very concerned about the detailed and prescriptive information that IORPs will be expected to provide to their members on a regular basis as we consider that this, together with some of the other proposed requirements, will significantly increase the cost of running such schemes without, in many cases, delivering any obvious benefit for their members.

Our main concerns about this proposed Directive are:

- a. Its detailed and prescriptive requirements relating to the format and content of pension benefit statements are inappropriate for a European Directive which, due to the variety of different IORPs in Member States, should simply set out some high level principles for effective member communication.
- b. Whilst we support the need for those who run IORPs to be “fit and proper persons”, we feel that the proposed requirement that all persons who run an IORP should have “professional qualifications, knowledge and experience” which are “adequate to enable them to ensure the sound and prudent management of the IORP and to properly carry out their functions” goes too far. It would effectively make it very difficult for most lay persons, such as member-nominated trustees, to be involved in the running of IORPs and would lead to pension schemes having a greater number of professional trustees whose costs would have to be met by the IORP.
- c. The proposed requirement for all IORPs where members fully bear the investment risk to appoint a depository will inevitably result in increased costs for these IORPs and yet it is not clear what problem this proposed requirement is seeking to address or what will be the benefit for members.
- d. The scope of the requirement for IORPs to have to produce a remuneration policy for those who “effectively run the institution” is very wide and poorly defined. It is likely to increase the cost of running IORPs for very little obvious benefit to members.
- e. Whilst some of the regulatory requirements for cross-border pension schemes are being relaxed, the requirement for these schemes to be fully-funded at all times will inevitably mean that the number of these schemes will remain very low.

Whilst we are pleased that the Commission has taken the advice that was set out in our Joint Position on Solvency II and not included any new and more stringent solvency-based funding requirements for IORPs in this proposed Directive, we are very concerned that these could come back on to the EU legislative agenda in the future. This could either be through “the back door” as part of the second pillar qualitative/governance requirements that are being discussed by the European

Insurance and Occupational Pensions Authority or more explicitly through another IORP Directive.

In view of our serious concerns about the detailed and prescriptive nature of many of the provisions in this proposed Directive, we would urge all those involved in the European legislative process to work towards making significant changes to the wording of this Directive so that it becomes a principles-based Directive which would then enable Member States to implement its provisions in a way that reflects their different pension arrangements. If this does not prove to be possible, we would ask the Commission to give serious consideration to withdrawing this proposed Directive especially as we understand that a detailed Impact Assessment of its effect on all Member States has not yet been undertaken.



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