Position Paper

Response to EIOPA consultation on technical advice on the development of pension dashboards and data collection

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Q1. *Do you have suggestions for other sources of pensions data covering EU Member States that EIOPA should consider?*

○ Yes

◉ No

If yes, please provide these suggestions.

In general, Insurance Europe believes that before recommending additional data collection EIOPA should first and foremost assess and consider the data already available at national level, eg, the data collected by NCAs or official national statistical databases or official data surveys.

Q2. *Do you agree that data on long-term savings instruments is not available as there is no commonly agreed definition?*

○ Yes

◉ No

Please explain.

Insurance Europe believes it is important not to confuse the "availability" with the "comparability" of data. In EIOPA's draft technical advice, it is often said that data is not available, whereas in fact very often the data is available but only at national level. Insurance Europe therefore believes that comparability is the issue EIOPA is facing rather availability.

There is, indeed, no agreed definition of long-term savings instruments at EU level because many of the aspects of what constitutes "long-term savings" have a national component. For instance, there are differences between countries in terms of vehicles available and commonly used to prepare for retirement (eg, life insurance,

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investment products, etc.). Likewise, there are differences in terms of people's preference for and use of bank deposits. Some of these differences may be explained by other factors, such as people's home-ownership rate or medical coverage. As a result, even though it may be possible to agree on certain elements, a definition of what constitutes a long-term saving investment only makes sense at national level.

If such information were to be collected, which definition would you consider and which products should be included under its scope?

Insurance Europe believes it is important not to challenge national definitions of long-term savings instruments and not to expand the pension dashboard scope beyond pension products and vehicles. Otherwise, there is a risk of disrupting well-functioning pension systems and introducing unnecessary complexity in the pension dashboard-related discussions.

Against this background, Insurance Europe also strongly recommends that EIOPA considers the national definitions of what qualifies as a pension product in different countries. In some countries, the consideration of death and disability benefits might be necessary to reflect the reality of pension-saving entitlements and to monitor the adequacy and sustainability of pension systems at macro level.

Q3. *Could you give an indication of the costs (high, medium, low, none, don't know) of collecting the following data directly from private pension providers (IORPs, insurers, other), distinguishing DB, hybrid and DC as well as occupational and personal pensions?*

Insurance undertakings

	High	Medium	Low	None	Don't know
Number of members					x
- breakdown by age					x
- breakdown by gender					x
Number of products / plans					x
Liabilities					x
- breakdown by age					x
- breakdown by gender					x
Assets					x
- breakdown by age					x
- breakdown by gender					x
Asset allocation					x
Investment return					x
Costs and charges					x

	High	Medium	Low	None	Don't know
Contributions					x
- breakdown by age					x
- breakdown by gender					x
Benefits					x
Cash flows DB/hybrid pension obligations					x
Sensitivity analysis DB/hybrid pension obligations					x

Please explain your assessment of the costs of collecting the data from insurance undertakings, where possible by providing estimates.

It is not possible to provide estimates at EU level because markets would be impacted differently by EIOPA's proposals. There is a huge diversity in terms of the granularity of data between countries depending on the national reporting and disclosure requirements in place, as well as on whether or not there is a national pension-tracking system. Most likely, costs would be comparatively higher for smaller providers and less mature pension markets.

Updating reporting requirements at EU level to introduce such a level of harmonisation, detail and granularity would be extremely costly for insurers to implement and review on a regular basis, but also for national authorities to collect, compile and transmit.

Beyond the cost issue, the insurance industry is concerned about the feasibility of collecting EIOPA's proposed additional data. These proposals seem to ignore the fact that pensions are, to a large extent, a purely national issue. As a result, there is agreement on the instruments that can be considered for achieving pension adequacy. Similar discussions already took place in the context of many EU initiatives, eg, the introduction of Solvency II and ECB reporting, with the conclusion that harmonisation was not a desirable outcome not only due to the lack of political appetite but also, and importantly, because technically it was close to impossible to implement.

In addition to reporting, Insurance Europe is also concerned that several aspects of EIOPA's draft advice would prove to be extremely expensive to implement and therefore challenge the viability of the pension-dashboard project:

- A live dashboard, as envisaged by EIOPA, would be more expensive than a report dashboard.
- Too frequent updates, as recommended by EIOPA, would also increase costs. Considering that the main bulk of data and indicators will come from triennial EC publications, it would not make sense to impose more regular updates on private pension providers.
- Modelling for private pension projections, as detailed by EIOPA, would not only be costly to establish but also complex to manage.
- The inclusion of variables like home ownership, wealth and individual savings, and possibly other long-term savings instruments at a later stage, would add complexity and costs.

Q4. *Do you agree that the identified minimum set of quantitative data and more qualitative information are necessary to enable the preparation of long-term pension projections?*

- [ ] Yes
- [x] No

Please explain.

As shown in EIOPA's survey of NCAs, the way pension projections are being established, supervised and run varies a lot across Europe and products. This is particularly true when it comes to assumptions, which, depending on the country, can be established by law, by national authorities or even by providers themselves.

In some markets, guidance on pension assumptions could be welcomed at national level but harmonised assumptions at EU level would make no sense given the diversity of pension set-ups. For instance, many countries have established multi-pillar pension systems in order to diversify risks, but the mix between pillars is unique to every country, reflecting the different historical, behavioural and political factors as well as social, economic and fiscal policies implemented over the years. There are also different retirement ages to model for each country. Having a single model able to grasp and adequately balance all these aspects is technically almost impossible.

Moreover, EIOPA's recommended approach to pension projections is not sufficiently substantiated to formulate a final opinion:

- It is unclear why using the 2019 IORP stress test as a common approach to model future returns for all pensions would be adequate. Insurers have their own stress-test specification tailored to their business and activities. In general, the insurance industry would always urge EIOPA to be cautious before replicating discussions that take place in one pension context in another. A one-size-fits-all approach is generally not adequate when it comes to pensions.
- The minimum set of quantitative data recommended by EIOPA is rather extensive yet not always comparable between countries, providers and products.
- It is unclear how to factor projections into the qualitative data suggested by EIOPA as well as the impact of government policies and behavioural assumptions.
- Projecting DB , DC and hybrid entitlements requires clear definitions. To date, we are not aware of agreed definitions at EU level that would make it possible to consistently project various pension entitlements. EIOPA should always consider national definitions of pensions and projection methodologies.

Insurance Europe would like to reiterate that performance projections are always an estimation and never a guaranteed outcome. As a result, projections can never be "real"; considering projections as guaranteed outcomes or trying to factor in too many variables could be detrimental (for instance, in terms of complexity or reliability of the outcome) without any added value for policymakers, national supervisors and savers.

Q5. *Do stakeholders have experience with making long-term pension projections that may be beneficial to the discussion on - for example - minimal data needs, making assumptions, the level of granularity that is most rewarding and taking into account the effects of government policy?*

- [ ] Yes
- [x] No

If yes, please share that experience.

At national level, Insurance Europe is aware of several countries (eg. DE, DK, NL) that have introduced stochastic economic models to project the performance of their pension products. These models are considered successful and efficient because they are tailored to the market.

At EU level, Insurance Europe has been involved twice in discussions about performance projections — first for PRIIPs and then for PEPP — but has no practical experience in making long-term pension projections.

Discussions in the context of PRIIPs are still ongoing. Although PRIIPs are often by nature shorter-term products than traditional pension products, implementation of the framework showed how complex performance projections are to perform and to explain to retail savers. There is no agreement on how best to do it for the time being. Insurance Europe understands that some countries (eg, UK) are even reconsidering the whole performance projection idea, opting instead to move back to narrative explanations.

Pension projections were also discussed at length in the context of the PEPP Level 2 discussions. EIOPA proposed a holistic approach to risk reward and performance with an economic stochastic modelling to derive PEPP KID main indicators and condition the eligibility of risk mitigation techniques. While the PEPP is yet to be implemented and therefore its efficiency and workability remains to be assessed, the insurance industry has expressed strong reservations about the modelling of PEPP performance. Factoring in stochastically the many variables recommended by EIOPA would result in very volatile and unreliable pension projections, which are not only hard to understand but also challenging to perform. Even more worryingly, this might even have the adverse effect of creating savers' distrust due to the volatility and complexity. When it comes to measuring the risks and performance of saving products over such long periods, even very small changes in assumptions and variables can result in very different outcomes. The work conducted by the Organisation for Economic Co-operation and Development (OECD) on stochastic modelling for the PEPP shows that investment risk is the only decisive risk. Additional factors such as unemployment, wage growth, etc. have little influence and lead to unnecessary complexity.

Q6. *Do you agree that a live dashboard should be developed to present the pensions data as proposed in the draft advice?*

○ Yes

◉ No

Please explain.

As explained by EIOPA in its draft advice, a live dashboard approach would be more expensive. Minimising costs is essential to ensure the viability, feasibility and cost-efficiency of the project, which is already in itself very challenging. In addition, pension systems are by nature long-term and the impact of reforms always takes a long time to mature. Therefore, a live dashboard would not bring any added value to monitoring their adequacy and sustainability.

A report dashboard, focusing on a few meaningful indicators for all three pillars, therefore seems more reasonable and more in line with the suggested methodology. As EIOPA is currently proposing to use as a starting point data and indicators stemming from EC triennial publications, it would not make sense to require other data providers to update information more regularly in a live dashboard.

Q7. *Do you agree that all relevant adequacy and sustainability indicators employed by the European Commission are reflected in the draft advice?*

- (●) Yes
- ( ) No

If not, please explain what indicators should be added / removed.

The insurance industry supports EIOPA relying on existing indicators and using data already available at EU level. To ensure efficiency and minimise the compliance burden, it is important to use existing benchmarks that are well implemented and have proven successful and relevant in the past. Insurance Europe also recommends checking that new indicators are not redundant and do not overlap with existing ones.

The Pension Adequacy and Ageing Reports are useful and reliable tools and considered among the best sources of information on pensions at EU level.

Q8. *Do you agree on the indicators proposed by EIOPA to complement the existing indicators of the European Commission: coverage, financial variables relating to private pension providers, diversification between pay-as-you-go and funded pensions?*

- ( ) Yes
- (●) No

If not, please explain what indicators should be added / removed.

The insurance industry does not disagree with the relevance of the additional indicators recommended by EIOPA, but it questions the feasibility of collecting the underlying data at a reasonable cost and its comparability at EU level.

While fully supporting transparency and agreeing with the objective of having a clearer picture of the current pension savings landscape, Insurance Europe is concerned by the fact that EIOPA's proposals would be extremely burdensome to put into practice. More concerningly, they seem to ignore the fact that pensions are to a large extent a purely national issue. As a result, there is no single approach to achieving pension adequacy and sustainability and the lack of agreed EU definitions prevents meaningful harmonised reporting.

Similar discussions already took place in the context of many EU initiatives, eg, the introduction of Solvency II and ECB reporting. These always came to nothing, not only for lack of political appetite but also because they were technically impossible to implement.

Q9. *Do you have methodological suggestions for aggregating the various indicators in order to obtain a single indicator per Member State?*

- ( ) Yes
- (●) No

Please explain.

The insurance industry is not in a position to advise on how EIOPA could aggregate the various indicators to obtain a single one per member state.

As mentioned above, Insurance Europe believes it would be impossible to have a single methodology to aggregate indicators valid for all countries. This is because the weighting scheme should reflect the architecture of a pension system and the different mix, roles and contributions of different pillars in achieving pension adequacy and sustainability.

The insurance industry also wishes to express reservations about some of EIOPA's objectives in relation to a pension dashboard. While the monitoring of national pension systems is crucial, given their growing importance, Insurance Europe believes that comparing and ranking national systems is not a desirable goal. Indeed, given the diversity of pension set-ups across Europe, such a comparison would not be meaningful and would not be comparing like with like. Each national pension system is the result of historical, political, behavioural and societal factors, as well as social, economic and fiscal policies built over the years. A solution effective in one country can result in a very different/opposite outcome in another. Instead of publicly "blaming and shaming" member states and depending on the information it will provide, Insurance Europe believes that the outcome of a pension dashboard should better feed into the European semester discussions to develop tailor-made and enlightened Country Specific Recommendations.

Q10. *Do you agree with the draft advice not to include indicators for other long-term savings instruments in the dashboard at this point in time, but instead to consider variables like homeownership, wealth and individual savings?*

- ○ Yes
- ◉ No

Please explain.

As mentioned in Q2, the insurance industry believes that other long-term savings instruments should not be part of a pension dashboard. The inclusion of other variables not directly related to pensions would also add complexity, increase costs and further challenge the feasibility of a pension dashboard.

Q11. *Do you agree that the use of pension dashboards should not be postponed until comprehensive data is available for all indicators?*

- ○ Yes
- ◉ No

Please explain.

The insurance industry strongly disagrees with EIOPA's recommendation to launch a pension dashboard before all the necessary data and indicators are fully available and established. The stakes for a pension-dashboard project are too high to risk conveying an incomplete picture of the adequacy and sustainability of member states' pension systems.

The availability of comparable data is a challenge, in particular when it comes to private pensions, according to EIOPA's draft advice. Rushing the use of a pension dashboard runs the risk of giving a misleading picture of pension systems, undermining the role and contribution of private pensions in overall adequacy and sustainability.

This is another reason why Insurance Europe believes that for the time being a report dashboard would be much more appropriate than a live dashboard. All data and indicators should be aggregated and published at the same time to provide a complete and correct picture of the situation at a given moment.

Q12. *Could you give an indication of the benefits (high, medium, low, none, don't know) of collecting the following data directly from private pension providers (IORPs, insurers, other), distinguishing DB, hybrid and DC as well as occupational and personal pensions?*

Insurance undertakings

	High	Medium	Low	None	Don't know
Number of members		x			
- breakdown by age			x		
- breakdown by gender			x		
Number of products / plans		x			
Liabilities		x			
- breakdown by age			x		
- breakdown by gender			x		
Assets		x			
- breakdown by age			x		
- breakdown by gender			x		
Asset allocation			x		
Investment return			x		
Costs and charges			x		
Contributions		x			
- breakdown by age			x		
- breakdown by gender			x		
Benefits		x			
Cash flows DB/hybrid pension obligations			x		
Sensitivity analysis DB/hybrid pension obligations			x		

Please explain your assessment of the benefits of collecting the data from insurance undertakings.

While fully supporting transparency and agreeing to some extent on the need to have a clearer picture of the current pension savings landscape, EIOPA's proposals would be extremely burdensome to put into practice and the associated costs would clearly outweigh the benefits.

More concerningly, the proposals seem to ignore the fact that pensions are to a large extent a purely national issue. As a result, there is no single approach to achieving pension adequacy and sustainability and this strong national component, plus the lack of agreed approaches at EU level, prevents meaningful harmonised reporting. Similar discussions already took place in the context of many EU initiatives, eg, the introduction of Solvency II and ECB reporting. These always came to nothing, not only for lack of political appetite but also because they were technically impossible to implement.

This does not mean that the additional data and granularity recommended by EIOPA does not exist at national level, but it is not comparable, ie, workable and meaningful, at EU level.

Collecting the additional data recommended by EIOPA would be detrimental not only because of the huge impact (cost) this could have on pension providers — in particular insurers — and on national authorities, but also because these go far beyond the scope of the EC call for advice, namely the development of pension dashboards.

Action 9 of the CMU Action Plan invites the Commission to develop "best practices" in the area of pensions that "will assist Member States and citizens facing demographic challenges". As a result, the EC requested that EIOPA "identify data gaps and possible solutions" in order to "enable public authorities to identify early on emerging gaps in the provision of pensions to their population".

When assessing the benefit of collecting data, it is important to consider the pension dashboard's general objective. According to EIOPA's draft advice, the primary aim of collecting data for dashboards is "to facilitate economic and social policy" rather than the prudential supervision of pension providers. It is therefore questionable whether all the data mentioned above would be necessary for a pension dashboard to monitor the adequacy and the sustainability of pension systems.

EIOPA's advice and recommendations should only answer the EC call for advice and serve the CMU action plan agenda and priorities. Against this background, Insurance Europe completely disagrees when EIOPA says that the collection of additional data could improve the EIOPA pension database (208. Draft advice) and would strongly argue against EIOPA using the CMU action plan discussions to serve other workstreams.

Also concerningly, EIOPA's proposals do not consider discussions on insurance reporting currently taking place in the context of the review of the Solvency II Directive. On 23 July, EIOPA launched a consultation on the amendment of the Solvency II supervisory reporting and public disclosure document. Based on a preliminary analysis, EIOPA's proposed additional data in the context of pension dashboards exceeds that envisaged in the context of Solvency II. Insurance Europe strongly urges EIOPA to avoid introducing diverging/overlapping requirements. In general, EIOPA's soft supervisory tools (such as advice) should not jeopardise regulatory and supervisory stability or replace ordinary regulatory and legislative procedures.

Conducting a cost/benefit assessment before recommending additional data collection is of the utmost importance. To be informative, this assessment should:

- be well-documented
- assess the benefits only in relation to the objective of a pension dashboard
- consider all the costs entailed by a pension dashboard beyond additional reporting, eg, establishment, management and update

- Also consider the costs recently incurred by private pension providers (Solvency II, ECB and EIOPA recent IORP reporting requirements) should EIOPA decide to recommend updating these requirements again. Repeated changes in the regulatory and supervisory landscape are not only costly to implement but also trigger legal uncertainty, risk of non-compliance and damage trust in pension savings.

Should this assessment conclude that the expected costs outweight the benefits, EIOPA must take this into consideration and adjust its recommendations to the European Commission accordingly.

Q13. *Do you have suggestions for more or less additional data to be collected for the purpose of the dashboard indicators and the preparation of long-term projections of supplementary pensions?*

- (•) Yes
- ( ) No

Please explain.

Collecting the additional data recommended by EIOPA would be detrimental not only because of the huge impact this could have on pension providers — in particular insurers — and on national authorities, but also because this goes far beyond the scope of the EC call for advice, namely the development of pension dashboards. Moreover, as per the answers to Q3 and Q12, the costs would most likely outweigh the benefits.

Action 9 of the CMU Action Plan commits the Commission to developing "best practices" in the area of pensions that "will assist Member States and citizens facing demographic challenges". The EC requested that EIOPA "identify data gaps and possible solutions" in order to "enable public authorities to identify early on emerging gaps in the provision of pensions to their population".

EIOPA's advice and recommendations should only answer the EC call for advice and serve the CMU action plan agenda and priorities. Against this background, Insurance Europe completely disagrees when EIOPA says that the collection of additional data could improve the EIOPA pension database (208. Draft advice) and would strongly argue against EIOPA using the CMU action plan discussions to serve other workstreams. In general, EIOPA's soft supervisory tools (such as advice) should not jeopardise regulatory and supervisory stability or replace ordinary regulatory and legislative procedures.

Conducting a cost/benefit assessment before recommending additional data collection is of the utmost importance. To be informative, this assessment should:

- be well-documented
- assess the benefits only in relation to the objective of a pension dashboard
- consider all costs entailed by a pension dashboard beyond reporting, eg, establishment, management and update.
- also consider the costs recently incurred by private pension providers (Solvency II, ECB and EIOPA recent IORP reporting requirements) should EIOPA decide to recommend to update these requirements again. Repeated changes to the regulatory and supervisory landscape are not only costly to implement but also trigger legal uncertainty, risk of non-compliance and damage trust in pension savings.

Should this assessment conclude that the expected costs outweigh the benefits, EIOPA must take this into consideration and adjust its recommendations to the European Commission accordingly.

Q14. *Do you agree that the additional data should be collected by NCAs (at national level) and subsequently be submitted to EIOPA (at EU level), even though not all the data may be necessary from a supervisory perspective?*

- ○ Yes
- ◉ No

Please explain.

As mentioned previously, Insurance Europe also believes that the additional data recommended by EIOPA can only be meaningful at national level because the lack of harmonised pension definitions prevents comparability at EU level.

Insurance Europe is supportive of the general retention of the subsidiarity principle for the collection of information via NCAs. To streamline processes and avoid duplication of reporting channels, any flow of data from financial institutions to EIOPA should continue to be channelled through NCAs as per article 35 of EIOPA's establishing Regulation.

Q15. *Do you have any other comments on the draft technical advice?*

- ◉ Yes
- ○ No

In general, Insurance Europe welcomes the recognition of the role and importance of pension savings as well as the launch of a public debate on ways to increase pension savings in Europe. The results of a 2019 Insurance Europe survey interviewing 10 000 citizens in 10 members states indicated that 43% of respondents are not saving for their retirement. Further member-state action is therefore needed to further promote well-balanced multi-pillar pension systems in all member states built on adequate, stable, and attractive regulatory frameworks and tax treatment.

Insurance Europe also welcomes the holistic approach taken by EIOPA; adequacy should always be considered together with sustainability when proposing solutions to tackle the pension savings gap. It also welcomes the fact that all types of pensions — statutory (including 1st pillar bis) and supplementary (including occupational and personal pensions) — are considered. Insurance Europe strongly believes in the benefit of multi-pillar systems, and that it is important to consider the role and contributions of each pillar when assessing the overall adequacy and sustainability of pension systems. The pension-dashboard initiative should respect the diversity of pension pillar mixes between countries,. National experiences have proved that there is not just one single way to ensure pension adequacy and sustainability.

However, the insurance industry also wishes to express reservations about some objectives pursued by a pension dashboard. While the monitoring of pension systems is crucial, given their growing importance, Insurance Europe believes that comparison and ranking of countries is ideologically wrong. Given the diversity of pension set-ups across Europe, such comparison would not be meaningful and would not compare like with like. Each national pension system is the result of historical, political, behavioural and societal factors, as well as social, economic and fiscal policies built over the years. A solution effective in one country can result in a very different/opposite outcome in another. Instead of publicly "blaming and shaming" member states and depending on the information it provides, Insurance Europe believes that the outcome of a pension dashboard should better feed into the European semester discussions to develop tailor-made and enlightened Country Specific Recommendations.

Insurance Europe also regrets that several important elements are currently missing from EIOPA's draft advice to the European Commission, such as:

- A complete overview of pensions data already available at national level and from EU/international organisations.
- A cost/benefit assessment of additional data collection (see Insurance Europe's recommendations).
- A weighting scheme to combine the indicators in an overall adequacy and sustainability indicator.
- A modelling of pension projections.

Without this information, it is not always possible to comment and formulate a final opinion on many of EIOPA's proposals.