IORP II

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Agenda

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- EU Directive 2003
- European Commission Review
- IORP II
- IROPII and Professional Trustees
- Summary

EU Directive 2003/41/EC

- Defines activities and supervision of institutions for occupational retirement provision
- Genuine internal market for financial services seen as crucial
- First step on the way to an internal market for occupational retirement provision on a European scale

EC Review

European Commission Review

- EC is reviewing IORP with intent of bringing into line with the Solvency II Directive and to update it
- The aim- to encourage cross border pension schemes
- Wide criticism of the Solvency II based 'Holistic Balance Sheet' approach to pension scheme funding.

IORP II - published 27 March 2014

- Member states to bring into force by 31 December 2016
- Focusses on Governance and Communications
- Estimated one off cost of €22 per member plus on-going €0.27 – 0.8 per member per year.

Key Points – Governance and Communications

- Trustees required to be qualified
- Mandatory EU-harmonised Benefit Statements
- Remuneration policy

IORP II – Investment

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Key Points – Investment and Funding

- No restriction on long term investments
- Requirement for 100% funding of cross border scheme remains
- Depositories for DC Schemes

IORP II – Process to date

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Process to date

- May 2014: Formal Scrutiny by Working Group
- Autumn 2014: Italian Presidency holds Working Groups and issues several Presidency Compromise text
- 28 November: Fourth and final Presidency Compromise published

Key aspects of fourth compromise:

- Trustees must collectively have adequate:
  - Qualifications
  - Knowledge
  - Experience
- Simplification of Pension Benefit Statement
- Depository exemptions for suitably governed DC schemes

Roll of the Trustee

- Compliance with "Fit" requirement
- Governance resource and understanding
- Active, executive management

IORPII – Summary

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Summary

- More onerous Governance requirements
- Added pressure and expectations for Trustees
- Costs:
  - Initial & long term
  - Direct & Indirect
  - Time & Money