EuroCommerce THE RETAIL, WHOLESALE AND INTERNATIONAL TRADE REPRESENTATION TO THE EU

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Joint statement on the IORP directive revision

The social partners of the commerce sector share the European Commission's view that occupational pension schemes will be of increasing importance to secure safe and sustainable pensions in all Member States.

However, EuroCommerce and UNI Europa Commerce think that the planned initiative of the European Commission on Institutions for Occupational Retirement provision (IORP) does not take into account that such schemes are usually secured through national security instruments. In fact, the envisaged revision of the IORP directive could contradict the objective of the White Paper on Pensions, which is to strengthen the second pillar (occupational pensions) of the pension systems.

Therefore, EuroCommerce and UNI Europa Commerce oppose the implementation of a capital adequacy requirement based on Solvency II. Even if the social partners have been informed that there will not be a duplication of Solvency II framework to IORPs, all the steps taken so far point in the opposite direction.

In times where the first pillar (public pensions) is unfortunately decreasing in the main European Countries to face demographic change, the second pillar gains importance. This is true for Member States, employees and also employers. For the latter, occupational pension schemes are increasingly becoming a tool for recruiting and retaining skilled employees.

It is therefore important that occupational pensions continue to represent a significant and increasing share of pension schemes in Europe, which allow people to maintain good living standards after a long working life. The focus needs to be on encouraging people to join good quality pension funds and make adequate provision for retirement.

In the opinion of social partners for commerce the adoption of requirements based on Solvency II for pension funds is counter to this objective and would put burden on companies, hinder investment in innovation and employment and actually reduce the pension claims for affected employees not increase them.

Below are examples regarding the negative impact that the implementation of a Solvency II-like regime for pension funds could have in the commerce sector[1]:

- The Tesco PLC Pension Scheme is one of the largest defined benefit schemes in the UK private sector that is still open to new members – with 180,000 employed members and over 300,000 members in total. In their view a Solvency II type regime would result in companies diverting capital away from business growth and investment in job creation – which are vital for our economy. Therefore, increases in capital requirements are not the answer. The focus needs to be on encouraging people to save for the future – and it is important we work together to share and develop best practice on governance, communication and transparency. It is also essential to be aware of the fact that subsidiarity needs to be respected and that no "one-size-fits-all approach" can be adequate in this case;
- Metro (DE) is active in almost all EU countries with approximately 210,000 employees within the EU. The company has implemented significant occupational pensions plans by investing billions of Euros around the world - especially in GER, NL, UK - on behalf of more than 140,000 people with pension rights. Metro is also of the opinion that the alignment of pension funds requirements on Solvency II would

[1] For more information see : http://www.eurocommerce.be/content.aspx?PageId=42373

cause significant cost increase that could lead to the termination of all occupational pension schemes.

These examples show that the capacity of companies and sectors to invest and to innovate would be weakened, leading to reduction of employees' pension claims or even to the closure of schemes – counter to the EU's objective of encouraging citizens to save more for the future. EU policies should support defined benefit pension funds by emphasizing good communication and good governance, not endanger them.

EuroCommerce and UNI Europa Commerce therefore call upon the European Commission to refrain from extending the capital adequacy requirements under the Solvency II Directive (applied to the insurance industry) to institutions for occupational pensions within the framework of the planned changes in the IORP directive. This would cause a serious loss of efficiency for occupational pensions without any gain in security and stability.

Social partners of the commerce sector in various EU countries have established attractive conditions for employers and employees on the provision of occupational pensions. In this way, they contribute to the old-age protection of employees. Moreover, when they are involved in the management of occupational pensions systems, they have contributed to improving safety and security of the pension funds at both a company and national level. These important and successful initiatives should not be put at risk by poorly designed European regulation.

Furthermore EuroCommerce and UNI Europa Commerce regard the ongoing discussions as obstructive especially for employees since there is insecurity on whether to convert salary into an endangered systems and therefore a loss of trust in pension systems.

Finally, EuroCommerce and UNI Europa Commerce believe that a top priority for every Single Market intervention on occupational pensions should be the respect and promotion of the unique character of IORPs as part of the success story of the European Social Model.

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