

Newsletter

May 2010 , Volume 2



In this issue:

EC Green Paper	1
IASB—IAS 19	2
MONTI report on single market	3
EC publication private pensions	3
Supporters' Circle: 15-16 June 2010 Brussels—invitation	4

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EC GREEN PAPER ON PENSIONS SHAPING UP

It is expected that the Commission will publish end of June, a Green Paper on Pensions. The Green Paper is scheduled for adoption in the College on **23 June 2010** and is prepared by:

- DG Employment, Social Affairs and Equal Opportunities
- DG Internal Market & Services
- DG Economic and Monetary Affairs

In the Commission's Working Programme the Green Paper is described as follows: *"The aim is to identify challenges, to discuss the responsibilities of Member States and the Union in this domain, and to collect input from a wide range of stakeholders. The Green Paper will be broad in scope, and will look at a range of policy tools. These include the use of the Open Method of Coordination in the pensions domain, looking at Art. 8 of the Insolvency Directive, the Directive on safeguarding supplementary pension rights, the IORP directive, and the interaction with the Social Security Regulation. The Green Paper will also consider implications more widely including issues linked to insurance, investment (private savings), and housing (equity release)".*

From its regular exchange of views with Commission officials, EFRP has found out that most likely the Green Paper will touch on:

- **Sustainability** of pension systems
 - the impact of the mounting public deficits on PAYG pensions
 - Notional PAYG and mandatory funded social security schemes
- **Adequacy** of pensions
 - Challenges of DB—DC—hybrid schemes
 - Definitional aspects of a pension
- **Efficiency and safety** of pensions
 - Prudential rules for IORPs and pension providers
 - Innovative solutions for pay-out phase

The Green Paper is likely to have some —**extensive annexes**:

- Statistical annex with a classification system for private pensions
- Draft joint SPC (Social Protection Committee) and EPC (Economic Policy Committee) on pensions
- EC working document on EU legislation and coverage

IASB

EXPOSURE DRAFT ON IAS 19 PUBLISHED

The International Accounting Standards Board (IASB) has published an Exposure Draft of proposed amendments to IAS 19 on Employee Benefits. The IASB is seeking views on:

- Immediate **RECOGNITION** of defined employee benefit cost: i.e. **elimination of the corridor option** which provides the sponsoring company the possibility to recognise only a portion of the loss/gain in the current year.
- New **PRESENTATION** that more clearly distinguishes the **different elements of the pension cost**: the exposure draft proposes that companies present: (i) service costs, (ii) finance cost, (iii) remeasurement
- **DISCLOSURE** of risks arising in DB plan, amounts recognised in financial statements, characteristics of company DB plan, participation in multi-employer plans.

The Exposure Draft deals solely with **interim changes** to the Accounting Standard. The IASB remains committed to start a project, mid-2011, to review more fundamentally the Accounting Standard on IAS 19.

EU ENDORSEMENT PROCESS FOR IAS

The EU endorsement mechanisms of International Accounting Standards is set out in Regulation 1606/2002. It can be described as follows:

1. The IASB issues a Standard.
2. The **European Financial Reporting Advisory Group** (EFRAG) holds consultation on the Standard with stakeholders. *EFRAG is a private sector body which provides advice on the technical quality of a Standard and re-*

ceives as from 2010 financial support from the EU.

3. EFRAG prepares its advice to the Commission and an impact study on the economic effects of the given Standard's application in the EU.
4. The **Standards Advice Review Group** (SARG) issues its opinion whether EFRAG's advice is well-balanced and objective. *The SARG is a Committee of 7 independent experts in the accounting area set up by the European Commission.*
5. Based on the advice of EFRAG and opinion of SARG, the Commission prepares a **draft endorsement Regulation**
6. The adoption process of the Regulation follows the Regulatory Comitology Procedure:
 - **Accounting Regulatory Committee** (ARC) votes on the Commission proposal—QMV (qualified majority voting) applies. *The ARC is composed of representatives from Member States and is chaired by the Commission.*
 - If the vote is favourable—which is the case for the vast majority of Standards, **European Parliament and Council** have 3 months to oppose the adoption of the draft Regulation by the Commission
 - European Parliament and Council do not oppose or 3 months elapsed, draft Regulation is adopted and published in Official Journal.
7. Standard enters into force on the date laid down in the Regulation.

INTERNAL MARKET

MONTI DELIVERS REPORT FOR A NEW STRATEGY AND CALLS FOR SUPPLEMENTARY PENSIONS PORTABILITY

On 10 May 2010, Prof. MONTI, former EU Commissioner and President of the Bocconi University, delivered its recommendations to relaunch the single market. Such a report had been requested in October 2009 by President BARROSO.

In his report, Prof. MONTI, signals the issue of **portability of supplementary pensions**. He argues that the current regulatory framework cannot avoid losses for “*non-statutory forms of social protection for mobile workers*” and calls to address it as there is a “strong support” for it in the European Parliament.

Prof. MONTI is also in favour to explore the potential of a **28th regime for supplementary pensions rights**. Under such a regime a worker would be subject to the same rules for its non statutory benefits wherever he/she is working in Europe. To facilitate the implementation of such a regime, Prof. MONTI suggest to limit the possibiltiy to opt in for such this regime when workers take up their first work contract. Prof. MONTI sounds also be in favourable of **issuance E-bonds** to finance major public infrastructure works in Europe. For him such E-bonds would be a **possible investment instrument for pension funds** which “cannot find a supply of bonds matching their investment needs”. He continuous that “*a reflection should be made on whether an ad hoc Europe-*

an legal framework should be developed for long term investors, with a view to encouraging their focus on infrastructure investments, while taking into account their specific characteristics and the variety of actors within such class of investors”.

The MONTI Report is available at: http://ec.europa.eu/bepa/pdf/monti_report_final_10_05_2010_en.pdf

NEW EC PUBLICATION

ROLE OF PRIVATE PENSIONS

The European Commission Directorate General Employment, Social Affairs and Equal Opportunities has issued a brochure entitled: “**Private Pensions: their role in adequate and sustainable pensions**”. The brochure builds on the previous Social Protection Committee Reports on pensions but has been adjusted to make it accessible to the general public. In EFRP’s understanding the publication signals the Commission priority attention to the pension dossier. It touches on coverage, investment risks, longevity risk, charges and cost, financial education and taxation. The report can be found at:

<http://ec.europa.eu/social/main.jsp?ctId=752&langId=en&pubId=494&type=2&furtherPubs=yes>

IMPORTANT DATES:

- 17 May 2010—ECON vote on Proposal for an Alternative Investment Funds Managers Directive (AIFMD)
- 18 May 2010—ECOFIN Council on AIFMD
- 20 May 2010—EC Green Paper on Corporate Governance in Financial Institutions

Supporters' Circle meeting

EFRP invites all its Supporters to attend their **annual meeting** in Brussels

- Dinner—**15 June 2010 - 7.00 PM (location tbc)**
- Meeting—**16 June 2010– 8.30 AM —2.30 PM—De Warande—Zinnerstraat 1—1000 Brussels**

Supporters will get an update on all Brussels issues relevant for the pension institution community.

Confirmed speakers:

- Ms. Sonia CATTARINUSSI, European Commission Policy Analyst—Asset Management on the **depository function**
- Mr. Jung-Duk LICHTENBERGER, European Commission Economic and Policy Desk Officer—Insurance and Pensions on the **Green Paper on Pensions**
- Mr. Francisco PEREZ FLORES, European Commission Legal Officer Labour Law on **Protection of supplementary pensions in case of Insolvency of the employer**

Pending confirmation:

- Ms. Claire BURY, European Commission Head of Unit Company Law, Corporate Governance and Financial Crime on **Green Paper on Corporate Governance and Financial Institutions**
- Mr. Martin MERLIN, European Commission Head of Unit Financial Services Policy on **Supervisory Reform**

If you or a colleague would like to attend, please fax back to: **+32 2 289 14 15**

Title:

Name:.....

First name:.....

Institution:.....

Position:.....

Email:.....

Tel:.....

? will attend the dinner on 15 June 2010 (as from 7.00 PM)

? will attend the meeting on 16 June 2010 (as from 8.30 AM)

? will attend the lunch on 16 June 2010 (as from 12.30 PM)

For all further questions, remarks, comments, please contact the EFRP Secretariat—efrp@efrp.eu or +32 2 289 14 14

A formal invitation will follow as soon as the programma has been completed.