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Survey of Pension Security in some European Countries

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Defined benefit pension scheme security in various EU/EEA countries

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Introduction

- 1.1. Occupational pension schemes fulfil an important socio-economic role and represent a valuable financial asset for their members. In many European countries, with highly developed pensions systems, pension schemes also have an important influence on the stability of their financial systems. Appropriate prudential treatment for pensions is therefore of prime importance
- 1.2. The pension regimes found in EU Member States are diverse, reflecting the different ways local labour market, social and economic conditions have developed. Some countries rely largely on voluntary provision (for example, the UK and Ireland), whilst others rely primarily on mandatory provision, sometimes provided by the state (for example, Germany) and sometimes by the private sector (Sweden).
- 1.3. Currently, prudential regulation at the EU level, as encapsulated in the IORP Directive, is largely principles based. Technical provisions are established using actuarial methods recognised by the relevant Member State supplemented by actuarial certification; investments are governed by a broad set of principles, notably the prudent person principle and, apart from regulatory own funds (which are not dissimilar to insurance funds and regulated as such), there are no hard solvency requirements. Member States then have the freedom to develop these principles into more detailed rules and practices as appropriate, and at this level some choose to develop the principles further into a light-touch workable framework whilst others choose to prescribe a more detailed set of rules. This structure recognises that the primary responsibility for pensions rests with each Member State and that in most states it is discharged as part of a balanced package of inter-related social objectives with a variety of delivery mechanisms and different degrees of regulatory control.

- 1.4. As a general principle, the nature and degree of prudential regulation required is likely to depend on the characteristics and materiality of the financial risk posed to (in the case of pension schemes) individual members. Countries with large exposure to voluntary funded private sector provision are likely to have more developed regulatory regimes than those where private sector provision contributes only a small proportion of an individual's financial retirement wealth. In the latter case the perceived certainty of state provision has substituted for regulation and this and similar forms of substitution are found throughout the regulatory regimes that have developed in different Member States.
- 1.5. This note considers first the characteristics of occupational pension provision in certain member states, and then compares various facets of the regulatory regime in those countries. No comment is made about other forms of retirement provision, for example, state pension. The material was developed by the Working Party responsible for the document '*Security in occupational papers*', published by the Group Consultatif in May 2010 and reflects the Working Party's members' understanding of the position in 2009. The data was used to prepare the summaries in Appendix A (How pension security is balanced in five countries) and Appendix C (Benchmarking against best practice principles) of the document.
- 1.6. No judgements are made about the relative merits of the different regimes – the data is provided for comparison only, in the hope that it provides a useful resource. If anyone would like to contribute information at a similar level of detail on the regulatory regime in any other EU country, the Group Consultatif will organise for it to be added to the document.

THE NATURE OF OCCUPATIONAL PENSION SCHEMES

- Germany Occupational pension provision is non-statutory in the sense that employers do not need to sponsor a pension scheme. However, employers do need to provide access to some form of deferred-compensation arrangement. Until recently, pension schemes usually were final salary oriented, but **contribution based pension schemes** (but not real defined contribution in the sense that all (investment) risk is transferred to the employees) are becoming more common. About 65 percent (figures 2006) of all employees join an occupational pension scheme. There are different modes of provision. Except for the 'direct pension promise' or book reserved schemes, all are established as a separate legal entity (including via insurance companies) to the employer.
- Ireland Occupational pension provision is non-statutory in the sense that employers do not need to sponsor a pension scheme. However, as a minimum, employers must provide access to a 'Personal Retirement Savings Account'. Occupational pension schemes are set up under Trust Law, so have separate legal status from the employer. Most are **defined benefit**, of which the majority offer a **final salary pension**. Other forms of defined benefit pensions are career-average schemes, hybrid schemes (mixed defined benefit and defined contributions) and cash balance plans.
- Netherlands Occupational pension provision is non-statutory, but the vast majority of those employed (>90 percent) participate in an occupational scheme. The pension scheme's characteristics are usually agreed between employer(s) and

THE NATURE OF OCCUPATIONAL PENSION SCHEMES

employees as part of (collective) labour agreements, but the pensions institutions are legally separate from the employers.

Most of the schemes (representing over 80 percent of employees) offer a **career-average defined benefit pension with conditional indexation**. A few pension schemes are final salary and a limited, but growing number are **collective defined contribution schemes** (with contributions often fixed for five years) or individual defined contribution schemes.

United
Kingdom

Occupational pension provision is non-statutory in the sense that employers do not need to sponsor a pension scheme. However, employers do need to provide access to a 'stakeholder' pension scheme (a **defined contribution** arrangement provided by an insurance company). Occupational pension schemes are set up under Trust Law, so have separate legal status from the employer. Most occupational pension scheme members belong to **defined benefit** schemes, with the majority providing a **final salary pension** (representing approximately 30 percent of employees, of which 2/3rds are public sector). Other forms of defined benefit pensions are career-average schemes (12 percent), hybrid schemes (10 percent), or other designs including cash balance plans (5 percent). An increasing number of schemes are defined contribution, particularly for new members, since many existing defined benefit schemes have closed to new entrants.

Switzerland

Every employer in Switzerland has to provide minimum benefits as defined by law and the employer has to pay at

THE NATURE OF OCCUPATIONAL PENSION SCHEMES

least 50% of the total contribution. The majority of companies offer benefits exceeding the legal minimum. The plans are run by insurance companies or specially authorised banking foundations.

90% of employers provide benefits using a **cash balance** approach that is treated as **defined contribution**, but with a guaranteed minimum return and guaranteed annuity conversion rates. The remainder still provide traditional **defined benefit** schemes. Death in service and disability benefits are typically defined as a percentage of salary.

FUNDING OF OCCUPATIONAL PENSION SCHEMES

- Germany Employers can choose between various funding alternatives for their defined benefit (or deferred-compensation) scheme. The most common way of funding is through a direct pension promise (book reserves), amounting to about €240 billion of the total of almost €440 billion of assets covering pension benefits. Over €100 billion is funded through 'Pensionskassen', a special type of life insurance company. Approximately €50 billion is funded directly through insurance companies and €40 billion through "support funds". Pension funds, introduced in 2002 and comparable to the pension funds in the UK and the Netherlands, cover only €15 billion.
- Ireland Defined benefit schemes are generally funded through separate trust funds. Insurance vehicles may be used for smaller defined benefit schemes or defined contribution schemes. There were 1,271 defined benefit schemes at end 2008 covering 579,922 employees. Most of these are for employees of a single company or group of companies, but there are a few industry wide arrangements e.g. covering construction workers [Source: Pensions Board Annual Report]
- Netherlands The employer must ensure that the pension benefits it provides are funded through a pension provider that is separate from the employer. Most employees participate in pension schemes that are administered by (one of the approximately 650) pension funds and only a limited number (in terms of members and assets under management) have been outsourced to insurance companies.

FUNDING OF OCCUPATIONAL PENSION SCHEMES

The two largest pension funds in the Netherlands (ABP for civil servants and PFZW for healthcare) together represent more than two million active members (and about one million retirees) and almost €250 billion of the €700 billion total assets under management.

United
Kingdom

To benefit from tax relief, pension schemes must be provided through trust funds that are separate from the sponsoring employer's assets. The majority have either a single sponsoring employer, or are multi-employer but restricted to organisations associated with the same parent company. There are about 7,000 defined benefit trusts with total assets of about £780 bn (*the Purple Book 2009*, Pension Protection Fund), but nearly 2/3rds of the total assets belong to the largest 227 schemes. Legislation imposes high funding and governance barriers before employers can access the contributions paid into these trust funds. Insurance vehicles are rarely used.

Switzerland

All pension benefits are externally funded in Switzerland, typically through a pension foundation. The foundation is either company sponsored or multi employer. The employer and employee contribution to 'cash balance' arrangements is fixed, so the foundations must manage the underlying investments, establishing reserves, for example, when investment performance exceeds the guaranteed minimum, to provide the guaranteed returns during periods of underperformance.

DEFINED BENEFIT PENSION SCHEMES IN MORE DETAIL

Germany Voluntary occupational provision supplements mandatory public provision, on average targeting a replacement ratio of about 10-15% of final earnings. In general, the type of benefit or mode of provision is not mandated. 'Pension Funds' can be underwritten by an insurance type guarantee to protect against employer insolvency; for 'Pensionskasse' this is mandatory. If a 'Pensionskasse' or 'Pension Fund' is not able to pay the pension under the rules, the benefits have to be reduced. The reduced benefits have to be fulfilled by the employer via a direct pension promise (book reserves).

Once pensions are in payment, the employer must either guarantee an annual increase of at least one percent or an (triennial) increase in line with the consumer price index (when the economic situation of the employer allows for an increase). 'Pensionskassen' are only required to increase pensions in payment relative to any surplus earned by the assets corresponding to the retirees.

Ireland The structure of the benefits to be provided by the scheme is at the employer's discretion, with various qualifying requirements to protect the tax exempt status. Defined benefit schemes have typically been final salary, with 1/60th accrual targeting about 40% replacement rates for 'average' employees.

If members leave their scheme before drawing a pension (deferred members) their accrued benefit must be revalued during the period up to retirement (the 'deferred period'). Recent legislation provides for reduction in all members' accrued benefits in underfunded schemes, as part of a

DEFINED BENEFIT PENSION SCHEMES IN MORE DETAIL

recovery plan. This can only happen following consultation between trustees, employers, trades unions and regulators, although the legislation has not yet been tested in practice. It is intended to be a last resort when the ongoing employer cannot afford the contributions required under any acceptable recovery plan and the alternative of a scheme wind-up would result in reduced member benefits (if the employer is insolvent, the scheme would be wound up).

Netherlands

Occupational pension provision in the Netherlands is viewed as quasi-mandatory and, although the format is not prescribed, the majority of employees are members of defined benefit schemes. Most schemes are career average, with pension benefits that generally accumulate by (about) two percent per year over the pension base (defined as the income less an offset to compensate for the statutory first tier old age pension). This results in a target occupational pension of approximately 80 percent of the career-average salary, although this target is often not reached, because part of the old age pension is converted into partner's pension or used for early retirement. Besides the common career-average pension scheme with conditional indexation, a few defined benefit schemes are final salary based (with lower accrual of pension benefits per year targeting 70 percent of final salary). Although most occupational pension schemes compensate for wage inflation or price inflation in payment and in deferment, usually the indexation is not guaranteed, but depends on the financial position of the pension fund. Pension funds (almost) always have discretionary powers concerning indexation. Deferred members get, by law, the

DEFINED BENEFIT PENSION SCHEMES IN MORE DETAIL

same indexation as retirees.

Benefits are generally not guaranteed and no statutory minimum benefits exist. Accrued pension benefits can, after consent of the regulator, be reduced in case of under funding. However, the possibility to reduce accrued benefits is seen as a last resort: they can only be reduced if all other means to repair the under funding have failed and recovery is not possible within the maximum recovery period.

United
Kingdom

Occupational pension provision is voluntary, but historically most large and medium sized employers provided final salary schemes targeting a pension equal to 1/60ths of salary at retirement for each year of service, sometimes with an offset to allow for the state flat rate pension. However, except in the public sector, most defined benefit schemes no longer admit new entrants.

Indexation of pensions is mandatory, both in deferment and after in payment, in line with inflation subject to a cap.

Apart from increases, benefit design is largely at the sponsor's discretion, although some schemes are contracted out of the state earnings related scheme, which imposes certain quality requirements on the types of benefit provided, and schemes must comply with various other requirements to ensure they remain tax efficient.

Generally, pension schemes have no power to reduce accrued benefits (except in limited circumstances and with individual member consent).

Switzerland

Switzerland mandates that employers must at least provide a cash balance occupational plan, targeting about 7% accrual with guaranteed indexation of about 2.75% per

DEFINED BENEFIT PENSION SCHEMES IN MORE DETAIL

annum (since 1 January 2008).

Indexation of pensions in payment is not compulsory but discretionary pension increases, depending on the financial situation of the pension fund, are common. Indexation is a decision of the board of the pension fund.

If the pension fund is in deficit pension indexations granted in the previous 10 years can be suspended, as long as the deficit remains. The nominal amount of the pension at retirement can never be reduced.

TECHNICAL PROVISIONS

Germany	Technical provisions must be calculated using actuarial methods and the prudent person rule. The discount rate for 'Pensionkasse' is based on the Life Directive, although a maximum discount rate (normally 2.25%) is prescribed; 'Pension Funds' use the risk free market rate. Mortality assumptions generally include a trend to allow for 'foreseeable' improvements in life expectancy.
Ireland	Technical provisions must be determined at least every three years based on a wind-up test where pensions in payment must be assumed to be secured by purchase of annuities and transfer values on a prescribed basis are payable for other members. The underlying assumptions are set out in an actuarial standard of practice which is approved by the government. Mortality assumptions generally include a trend to allow for 'foreseeable' improvements in life expectancy.
Netherlands	The technical provisions are based on market valuation (swap curve provided by the regulator) and best-estimate assumptions. No prudence is added in the technical provisions (this is captured in the risk based regulatory capital requirements). Mortality assumptions are based on the scheme's population and include a trend to allow for 'foreseeable' improvements in life expectancy.
United Kingdom	Valuations must take place at least every three years, with annual updates. The assumptions underlying the technical provisions, in particular assumptions relating to the discount rate and mortality, are required by legislation to be

TECHNICAL PROVISIONS

individually prudent and the basis as a whole must also be prudent. There is no prescribed basis; trustees must decide on the appropriate prudent assumptions for their pension scheme (and usually agree these assumptions with the sponsoring employer). Furthermore, the regulator expects the trustees to increase the level of prudence in their technical provisions to reflect the level of sponsor covenant to the scheme. Mortality assumptions adopted by trustees generally include a trend to allow for 'foreseeable' improvements in life expectancy

Switzerland In defined benefit schemes, the technical provisions are based on an actuarial cost method (generally accepted actuarial practice), with the underlying assumptions determined by the pension funds board. The technical provisions need to meet minimum legal requirements.

PENSION SCHEME COLLATERAL

Germany For both 'Pensionskassen' and 'Pension Funds' specific **solvency requirements** are defined. In addition to the technical provisions, 'Pensionskassen' and 'Pension Funds' must hold extra assets, amounting to four percent of the book reserve and 0.3% of the capital at risk. For 'Pension Funds' additional components are defined for cost loading. In case of a funding deficit, a **recovery plan** has to be drawn up outlining how the pension fund will restore the appropriate funding level within ten years. If the deficit is over ten percent, a 90% funding level has to be restored immediately.

Concerning **asset protection**, segregation of the pension scheme assets from the sponsor's assets is required and the scheme cannot invest more than five percent of the scheme's assets in the sponsoring company. The German Insurance Supervisory Law has defined investment limits for insurance type guarantees (e.g. equity \leq 35 percent, real estate \leq 25%). Furthermore, investments should comply with the prudent person principle.

Ireland If the minimum funding standards are not met, trustees and sponsor must agree a **recovery plan** with a funding proposal to restore the deficit (to 100 percent minimum funding standard) over a specified period and submit this proposal to the Pensions Board (the local regulator). Projections must comply with Actuarial Standards of Practice which set, for instance, upper limits to assumptions relating to investment returns. The Pensions Act provides for a three year recovery period, but extended periods are

PENSION SCHEME COLLATERAL

permitted at the Pensions Board's discretion.

As part of the triennial valuation of technical provisions, trustees are required to review the long term funding and **contribution** requirements.

Concerning **asset protection**, segregation of the pension scheme assets from the sponsor's assets is required and the sponsoring employer's assets can not be taken into account in the minimum funding standard. A concentration limit of ten percent (except for government bonds) is defined in the minimum funding standard. Furthermore, trustees are required to prepare a Statement of investment Principles.

Netherlands

One of the main principles of the regulatory framework is that, in addition to the technical provisions, **risk based capital** should be held to improve the security of the pension benefits to a certain extent (based on a 97.5 percent confidence level of having a funding ratio of at least 100 percent in one year). For most schemes, this means a funding ratio between 115 percent and 125 percent, depending on asset and liability risk.

A scheme whose funds have fallen below the minimum regulatory level (105% of technical provisions) has a funding shortfall. It must draw up a short-term **recovery plan** within two months, outlining how it will eliminate the funding shortfall within three years. A scheme whose assets do not cover its risk based capital requirements, but are still above the minimum regulatory funding level has a reserve deficit. It must draw up a long-term recovery plan within three months, outlining how it will eliminate the reserve deficit within fifteen years via a steady recovery.

PENSION SCHEME COLLATERAL

Pension funds must determine cost-effective **contributions** consisting of a contribution actuarially required in connection with the obligations, an extra sum for maintaining regulatory minimum funding requirements, an extra sum for the administration costs and an extra sum actuarially required in order to grant additional rights. Strict conditions apply to discounts or repayments on contributions.

Concerning **asset protection**, segregation of the pension scheme assets from the sponsor's assets is required and the scheme cannot invest more than five percent of the scheme's assets in the sponsoring company. Leverage is only allowed for liquidity purposes. Furthermore, investments should comply with the prudent person principle.

United
Kingdom

If a valuation reveals a deficit against the technical provisions, the trustees must put in place a **recovery plan** indicating the contributions required to restore full funding. There is no prescribed period for making good the deficit. The recovery plan and period must (normally) be agreed between trustees and sponsor and should be reasonably affordable for the sponsor.

Employers must **contribute** to the scheme according to an agreed schedule of contributions. Non-payment is reportable to members and to the Pensions Regulator and unpaid contributions become a priority debt on the employer.

Concerning **asset protection**, the pension scheme's assets

PENSION SCHEME COLLATERAL

must be segregated from the sponsor and the scheme cannot invest more than five percent of its assets in the sponsoring company. Furthermore, trustees are required to take advice and prepare a Statement of investment Principles after consultation with the sponsor.

Switzerland In case of a deficit, the pension fund has to submit a **recovery plan** to the supervisory authority, indicating how the deficit is to be made good over within a period (usually 6 or 7 years). The Board of the Pension Fund can decide to introduce additional **contributions**, both for the employer as well as for employees.

Concerning **asset protection**, segregation of the pension scheme assets from the sponsor's assets is required and exposure to certain asset classes is limited (for example, a maximum of 50% of scheme assets in equities and 30% in property is permitted).

EXTERNAL COLLATERAL

- Germany Depending on the strength of the **sponsor covenant**, the employer is required to pay additional contributions when the 'Pensionskassen' or 'Pension Fund' cannot fulfil the pension promise.
- If neither the 'Pension Fund' or the employer (in case of insolvency) is able to fulfil the pension promise, pension benefits are protected by the 'Pensions Sicherungs Verein (PSV), a **guarantee fund**, subject to a cap (approximately €7,500 per month).
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- Ireland With regard to the **sponsor covenant**, a sponsoring employer is required to meet contribution requirements under Rules of Scheme and is required to meet the funding proposal commitments. However, a solvent employer can cease to participate without meeting the funding shortfall. In addition to funding within the scheme and the continuing sponsoring commitment, some schemes also have recourse to **contingent assets**. Subject to agreements between trustees and sponsor, guarantees from employer (or parent) or charges against specific company assets can provide additional protection for members against specific events. If scheme winds up with an insolvent employer, any contributions due over last 12 months can be recovered from the statutory Insolvency Payments Scheme (but only to the extent needed to make good any deficit), a **guarantee fund** which is funded from general taxation i.e. not specially set up for pension schemes. If the scheme winds-up in deficit, and the employer is insolvent, annuities to provide for pensions in payment may be purchased from the statutory Pensions Insolvency Payment Scheme, which is

EXTERNAL COLLATERAL

intended to provide a more efficient form of risk transfer (effectively a non profit organisation with no Solvency II type capital requirements) rather than provide protection against underfunding on insolvency. There are also proposals under discussion for some limited State support in cases of "double insolvency".

Netherlands Under some pension contracts, sponsors may be committed to pay additional contributions to the pension scheme if it has become under funded, depending on the strength of the **sponsor covenant**. This is not a statutory requirement. In addition to funding within the scheme and the continuing sponsoring commitment, some schemes also have recourse to **contingent assets**. Subject to agreements between employer and pension fund, subordinated loans may provide some additional protection.

United Kingdom The sponsoring employer is required by legislation to meet the obligations under the pension scheme; trustees are expected to monitor the **sponsor covenant** on an ongoing basis and review funding plans accordingly (for example, if the covenant weakens trustees are expected to strengthen the technical provisions basis). A solvent employer cannot cease to participate in a pension scheme without either paying the 'employer debt' or securing alternative third party arrangements permitted under legislation, which must be acceptable to the trustees. In addition to funding within the scheme and the continuing sponsoring commitment, some schemes also have recourse to **contingent assets**. Subject to agreements between trustees and sponsor, guarantees from employer (or parent)

EXTERNAL COLLATERAL

or charges against specific company assets can provide additional protection for members against specific events. If an employer becomes insolvent, leaving their pension scheme under funded, protection is available from the Pension Protection Fund, a **compensation fund**. Members over the pension scheme's pension age receive full pensions (but with lower indexation) and members aged below the pension age receive 90 percent of the accrued pension subject to a cap (just under £30,000 as at April 2010).

Switzerland

Sponsors (as well as members) may be committed to pay additional contributions in case of under funding, but is not statutory. There is no further reliance on the **sponsor covenant**.

If the pension fund is insolvent, a national **guarantee fund** steps in, subject to a cap (CHF 110,000). Only benefits based on a salary below CHF 110,000 are protected by the guarantee fund.

SCHEME GOVERNANCE

Germany	<p>Members of the executive board (Vorstand) and the supervisory board (Aufsichtsrat) responsible for managing occupational pension schemes are required to have sufficient knowledge and understanding, follow prudent person investment principles and must have sound internal controls, good administration and record keeping.</p>
Ireland	<p>The Pensions Board has published guidance notes, a trustees' handbook and codes of practices describing the requirements placed on scheme trustees. Among other responsibilities, trustees are required to have sufficient knowledge and understanding and should comply with investment policy principles.</p> <p>Trustees are required to act in the best interest of all beneficiaries. If the members (or nominated representatives) request it, 50 percent of trustees must be members (when the scheme has more than 50 members).</p>
Netherlands	<p>The Pension Act describes Guidelines of Pension Fund Governance. Among other requirements, these guidelines prescribe specific internal controls: any relevant governing body must periodically account for its policy to all stakeholders, namely active members, retirees, deferred members and employers. Also, the Board of a Pension Fund must have sufficient knowledge and understanding of the fund's processes and procedures, risk assessment and governance and follow the prudent person principle in their investment strategy.</p> <p>In addition to these guidelines, the Boards are obliged to take into account the best interests of all active members,</p>

SCHEME GOVERNANCE

retirees and deferred members. Normally, the Board of a Pension Fund consists of an equal number of employer and employee representatives. If retirees are not part of the Board, retirees are represented in a council of participants. This council has the right to prior **consultation** on a large number of issues.

United
Kingdom

The Pensions Regulator has published a Code of Practice which sets out its expectations for trustees to conduct a risk review for their pension scheme and to ensure that appropriate **internal controls**, good administration and good **record keeping** are in place for their pension scheme. Also, trustees are required to have sufficient **knowledge and understanding** (of the law, scheme and matters relating to its funding and investment) and follow the **prudent person principle** in their investment strategy. At least one third of a scheme's trustees must be nominated by the members and they are required, by law, to act in the **best interests** of all beneficiaries, irrespective of whether they are nominated by members or appointed by the company. The Pensions Regulator has issued guidance which recommends that all trustee boards have a policy on how they will identify and manage any **conflict of interest**. Trustees and employers are required to **consult** with members before making certain rule changes.

Switzerland

The organisation and the management of the pension fund is defined in documents submitted to the supervisory authority. Members of the Pension Fund Board are appointed by employees and by the company. They are expected to have sufficient **knowledge** to exercise their

SCHEME GOVERNANCE

function and are expected to update their knowledge of pension issues continuously.

Members of the Board are expected to act in the interests of the pension scheme. In case of **conflicts of interest**, members of the Board are expected to step down.

DISCLOSURE

Germany

'Pensionskassen' and 'Pension Funds' are required to disclose the following information to the **regulator**:

- annual actuarial report by the Verantwortlicher Aktuar (responsible actuary) on the adequacy of the biometric assumptions and the financial situation;
- annual report including a risk report;
- stress tests;
- diverse additional information.

'Pensionskassen' and 'Pension Funds' are required to disclose information to the **members**:

- about the scheme;
 - about individual benefits;
 - consultations on certain matters;
- statements on leaving, retiring.

Ireland

Trustees are required to disclose the following to the **regulator**:

- changes in trustees;
- actuarial funding certificates;
- funding proposals
- Whistle blowing for fraud or misappropriation of assets.

Trustees are required to disclose the following information to **members**:

- basic information about scheme;
- annual report and accounts;
- annual benefit statements;
- statements on leaving, retiring.

DISCLOSURE

Netherlands Pension funds are required to disclose the following information to the **regulator** (disclosures are increased if the scheme has a recovery plan):

- quarterly overview of financial position (including coverage ratio);
- Annual report;
- Annual overview of contribution decision and financing of future indexation;
- Solvency test;
- Tri-annual continuity analysis to check whether current and future funding is in line with benefit promises’;
- Investment principles.

Pension funds are required to disclose the following to **members**:

- Yearly Uniform Pension Overview;
- indexation label (under construction).
- Situations of underfunding

United Kingdom

Trustees are required to disclose the following to the **regulator**:

- annual scheme return from trustees (information about the trustees, the sponsor(s), the scheme’s financial position on different bases and investment strategy);
- submit valuation information if, following the valuation, a recovery plan is required;
- whistle blowing by trustees and/or their advisers of material breaches of pensions legislation;

DISCLOSURE

- prescribed risk events; failure to pay agreed contributions.

Trustees are required to disclose the following information to **members**:

- generic information about the scheme when they join.
- an annual statement setting out the results of the previous valuation and any more recent funding update.
- In the event of any changes to the scheme, for example changes to the benefit structure or the winding up of the scheme, further disclosure requirements apply.
- The employer is also required to consult where certain changes are proposed to future benefits in the scheme (for example, reducing the rate of future accrual or increasing member contributions);
- information to individual members about their benefits at key points in their scheme membership – for example on joining, leaving, transferring out, retirement or death. Detailed requirements for each event are set out in legislation;
- Members are also entitled to request further information about the scheme, for example the report prepared by the actuary on the valuation, or the trustees' annual report and accounts.

Switzerland

Pension funds are required to disclose the following to the **regulator**:

- yearly report submitted by the board to the supervisory authority including the accounts, actuarial valuation etc;
- the supervisory authority can intervene if the situation is

DISCLOSURE

not considered satisfactory.

Pension funds are required to disclose the following to

members:

- yearly information about individual benefits;
- yearly general information for beneficiaries about the situation of the fund.

REGULATORY OVERSIGHT GOVERNANCE

Germany	<p>Pensionskassen and Pension Funds are ruled primarily by the Insurance Supervisory Law (Versicherungsaufsichtsgesetz, VAG) and indirectly affected by the Company Pension Law (Betriebsrentengesetz) with its special labour law concerning all occupational pensions. The regulatory powers consist of the power to intervene if the minimum solvency margin is not fulfilled by the Pensionskassen or pension fund (solvency plan, recovery plan to restore the solvency requirements, close for new entries).</p>
Ireland	<p>The Pensions Board monitors and supervises the operation of The Pensions Act and pensions development generally. The Department of Social and Family Affairs is responsible for the Pensions Act. The Pensions Board has the regulatory power to impose spot fines on Trustees, employers and actuaries for specified offences, prosecute Trustees and employers under criminal law, apply to Court for removal or suspension of trustees, appoint trustees if there are none and refuse to approve applications for extended funding plans or to consent to benefit reductions.</p>
Netherlands	<p>De Nederlandsche Bank (DNB) exercises prudential and material supervision of pension funds' and pension insurers' compliance with pension regulations. The Authority for the Financial Markets (Autoriteit Financiële Markten / AFM) is responsible for the conduct of business supervision. The Ministry of Social Affairs and Employment (SWZ) is responsible for the Pension Act (which includes among others parameters used in prudential supervision).</p>

REGULATORY OVERSIGHT GOVERNANCE

The DNB has the **regulatory power** to decline a short term or long term recovery plan, the power to intervene if a short term recovery is not possible in 3 years and can appoint or remove trustees or issue improvement notices (and penalties).

United
Kingdom

The Pensions Regulator (TPR) is the UK regulator of work-based pension schemes. The Department for Work and Pensions is responsible for the underlying Pensions legislation, which establishes the (highly) principles based regulatory regime. TPR has strong information gathering powers, which enable it to exercise oversight based on Codes of Practice, guidance, directions and other prompts to trustees, employers and their advisers, to oversee sound management, and influence desired behaviours.

TPR has the **regulatory power** to fine and impose criminal sanction on trustees and employers, to serve contribution notices and financial support directions on employers and their associates as anti-avoidance measures, and to appoint or remove trustees or issue improvement notices (and penalties). It also has powers to intervene if it is not satisfied with the running of the scheme or with key policy decisions (it can issue freezing orders and ultimately even wind up the scheme).

Switzerland

The audited accounts and all other relevant documents are submitted yearly to the supervisory authority. The supervisory authority is expected to intervene if legal requirements are not met. The actuary and the auditor are obliged by law to inform the supervisor if legal requirement are not respected by the board of the pension fund.