OVERVIEW

A year in European pensions

Reporter Talya Misiri **reflects on the biggest European pensions news stories from 2016, including Brexit, MiFID II, IORP II and more**

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January

Greek journalists strike in January: Following lawyers, ferry workers and farmers, journalists in Greece held a 24-hour strike against planned reforms to the country's pension system. The strike resulted in a lack of news updates, both online and in print, over the period. Pressure from the Eurozone for Greece to overhaul the pension system had the potential to result in the maximum pension lowered to €2,300 from €2,700 and a new minimum guaranteed pension of €384 per month. Ship and farmers took earlier action that brought passenger shipping activity to a complete standstill. Greek Prime Minister Alexi Tsipras said the reform "must go ahead" and the "dilemma is about reforming the system or letting it collapse".

February

EIOPA consultation in February: The European Insurance and Occupational Pensions Authority launched a consultation on its advice for the development of an EU single market for personal pension products. EIOPA hoped the public consultation would provide input, in the broader context of the call for advice from the European Commission, on how personal pension products and a possible European Union-wide framework could be further developed. The consultation paper contained EIOPA's final advice on the attractiveness and feasibility of a second regime Pan-European Personal Pension Product.

March

Malta makes slow pensions progress in March: The European Commission indicated that Malta had made "limited progress" on pension system reforms to address the long-term sustainability of public finances. The commission said it planned to address both sustainability and adequacy concerns outlined by the government in the 2016 Budget, following the Pension Strategy Group's recommendations. In 2015, the commission recommended Malta continue its ongoing pension reform, such as accelerating the already enacted increase in the statutory retirement age and linking it to life expectancy. The Maltese government looked to balance the years spent in work and those in retirement by increasing the number of required contribution years from 40 to 41, requiring individuals to work an extra year to receive the full pension. However, legislation on this had yet to be introduced.

April

Portugal ups pensionable age in April: Portugal announced it will increase the retirement age by a month from January 2017 to 66 years and three months, its official governmental gazette revealed. The increase in pensionable age is due to an increase in average life expectancy. However, *The Portugal News* reported that the minimum 2016 pension for invalidity or old age will increase by 0.4 per cent, backdated to the

beginning of the year on amounts equal to or below €628.83 a month. Portugal's socialist government, which rules together with the far-left Communists and Left Bloc, also began to roll back some cost-cutting measures launched under the country's bailout, such as reversing previous public pension cuts.

May

Brexit threatens pensions blow in May: Britons retiring to Europe were warned that their state pension could be reduced by £50,000 if the UK voted to leave the European Union. Existing rules allow anyone retiring to a country within the European Economic Area (EEA) to have their pension increased by the triple lock. AJ Bell noted that in the case of the Brexit, vote the UK would have to negotiate reciprocal arrangements with individual EU countries to maintain the status quo. Where no such arrangement is agreed, people retiring to those countries could see their state pension payments frozen. Based on an individual aged 65 in receipt of the £155.65 flat-rate UK state pension, the loss of the uprating would cost around £50,000 over 20 years. There are currently 472,000 UK citizens retired in the EU who receive uprated pensions who could also be affected by a Brexit vote.

June

PensionsEurope seeks easing of pension fund rules in June: PensionsEurope chair Janwillem Bouma said that the EU must lessen the capital regulations placed on pension funds if they are to achieve their full potential as long-term investors in the Capital Markets Union. Speaking at the second PensionsEurope conference in Brussels, Bouma said that he hoped to see changes to a number of pieces of EU financial regulation, and that the European Market Infrastructure Regulation (EMIR) should allow for "more proportionality". Bouma also told delegates that significant progress made by the Dutch Presidency, the European Parliament and the European Commission in the trilogue negotiations on IORP II had been encouraging.

Brexit sparks knee-jerk reaction in June: On 23 June the UK voted to leave the European Union with a result of 52 per cent to in favour and 48 per cent voting remain; voter turnout was 72 per cent. Following the referendum, the UK's FTSE 100 fell by 8.7 per cent at the start of trading and the value of the pound against the dollar fell to a 30-year low. UK DB schemes were in for a 'rough ride', industry experts warned, as higher inflation and a fall in asset values was anticipated, meanwhile pension deficits increased by £80 billion overnight to £900 billion, Hymans Robertson revealed. The leave decision also sparked concerns that policymakers could find it difficult to set clear pension policies in the future with UK law potentially having to be separated from EU legislation.

July

Asset managers vote for MiFID II and Solvency II in July: Asset managers voted for MiFID II and Solvency II as the most important regulations for them this year. At its FundForum International event in Berlin, the data management provider Accudelta put forward a poll to asset managers regarding their regulatory concerns and requirements. More than half, 52 per cent, noted that MiFID II was the key regulation for their firm in 2016, followed by Solvency II with 26 per cent of the vote. Commenting on the findings, Accudelta senior vice president Oonagh O'Mahoney said: "It is clear from our conversations with asset managers across Europe that the new regulations are having a profound effect on the industry and that firms are keen to make sure they are in a strong position ahead of the changing rules."

August

Irish pension deficit rockets in August: The total deficit for Ireland's large Iseq 20 companies rocketed by 97 per cent from €3bn to €5.7bn in the first half of the year.

According to new data from Mercer, the month of August saw the pensions gap at Ireland's largest companies, including CRH, Ryanair, Kerry Group, Paddy Power and Betfair, almost double in worth, the *Irish Times* reported. This was largely a result of typically low but rising bond yields increasing the scale of liabilities in DB pension schemes. The data was released on the same day Mercer reported that the UK's FTSE 350 pension deficit had hit record levels to £149bn due to Brexit and the Bank of England's cutting of interest rates.

September

Switzerland rejects state pension increase in September: Swiss citizens voted against increasing the basic state pension by 10 per cent, Expatica revealed. In a referendum on the decision, 59.4 per cent voted against the increase. The 10 per cent rise was initially called for by the SGB, the Swiss Federation of Trade Unions, as it was found that people on low to medium incomes are more reliant on a state pension. The proposal was rejected by Switzerland's pension fund association ASIP and the Federal Council and Swiss Parliament. The state pension fund faces "serious financial challenges" as the baby-boomer generation approach their retirement, the Parliament and Council said on its website before the vote. As a result, it was hoped that an increased basic state pension would add to this financial struggle. Instead, the Federal Council is set to present amendments through reforms in its Pension Provision 2020 programme.

October

Belgium endorses tax relief for cross-border schemes in October: Belgium's government agreed to a bill that will relieve cross-border pension schemes from taxes. The ruling is due to come into effect as of 1 January 2017, in a bid to position the country as the top location for pan-European retirement products. The new law will assert that occupational pensions provided by a Belgium-based insurer to a non-resident are not subject to tax, as long as a taxable revenue in the country linked to the pension is not incurred. The government noted that the ruling will "confirm its position as the country of first choice for the establishment of pan-European pension funds".

November

Norway pushed to divest from detention camps in November: An open letter was launched in November to encourage Norway Government Pension Fund Global, or Oljefondet, to divest from a company running Australia's offshore detention camps. Following Norway Government Pension Fund Global's $280m investment in Ferrovial, the Spanish company completed a takeover of Australian firm Broadspectrum, which left it responsible for the running of Australia's offshore detention sites until 2017. A petition has therefore been created to encourage the pension fund, which prides itself on responsible investments, to revoke its investment from companies operating Australia's offshore refugee detention camps. The petition is currently open for Norwegian citizens to sign. "If you want Norway's money out of offshore detention, please sign the petition asking Oljefondet to divest," the open letter said.

December

EU states directed to adopt IORP II in December: Member states within the European Union were given two years from 8 December 2016 to implement the Institutions for Occupational Retirement Provision II (IORP II) Directive into their national law. The directive was voted for by the European Parliament on 24 November 2016 and is aimed at facilitating pension schemes' development and better protecting pension scheme members and beneficiaries. It is set to improve governance and transparency of IORPs and facilitate their cross-border activities. Safer and more efficient occupational pensions will enhance the contribution of complementary savings to retirement incomes. ■