

EIOPA identifies areas for improvement in the supervision of Prudent Person Rule compliance by institutions for occupational retirement provision

- *Peer review examined supervisory practices of national competent authorities in their assessment of how institutions for occupational retirement provision invest their capital in the best interest of their members and beneficiaries*
- *A risk-based approach or a risk-based approach complemented with quantitative limits is more effective than a compliance-based approach*
- *Supervisory practices are determined by legislative frameworks, types of scheme and the maturity of the pension industry*
- *The review resulted in 27 recommended actions for 19 NCAs in 16 countries*

Today, the European Insurance and Occupational Pensions Authority (EIOPA) published the findings of its peer review examining how national competent authorities (NCAs) ensure that institutions for occupational retirement provision (IORPs) comply with the Prudent Person Rule.

The review considered the basis for the interpretation of the Prudent Person Rule, legal and regulatory frameworks, information gathered for assessment, assessment methods and supervisory actions taken. The review was conducted among 27 NCAs from 24 European Economic Area countries.

Institutions for occupational retirement provision should invest their capital in the best interest of members and beneficiaries, i.e. prudently. The IORP Directive therefore requires these institutions to adhere to the Prudent Person Rule and lists a limited number of investment rules that must be respected by all IORPs.

This report presents the findings of the peer review, including identified best practices and recommended actions.

The review found that supervisory approaches are largely determined by the manner in which the Prudent Person Rule is embedded in national legislation. Supervisory approaches also vary according to type of scheme (defined benefit or defined contribution) and maturity of the pension industry.

NCAs that have adopted a risk-based approach or a prudent person plus approach, i.e. a risk-based approach complemented with quantitative limits, use more sophisticated tools and perform their supervisory activities in a risk-based and forward-looking manner.

NCAs using a compliance-based approach can enhance their supervision by

including risk-based and forward-looking tools in their supervisory practices.

Areas requiring action from NCAs were related supervisory structures and resources, information gathering methods, application of the look-through methodology and supervisory assessment of issues related to the Prudent Person Rule.

EIOPA will assess the NCAs' compliance with the recommended actions and continue its work to improve supervisory practices in this area at European level.

A shorter [Executive Summary](#), the [full report](#) and the [peer review methodology](#) can be obtained via EIOPA's website.

Background

The European Insurance and Occupational Pensions Authority (EIOPA) regularly conducts peer reviews of supervisory practices, working in close cooperation with national competent authorities (NCAs) to strengthen supervisory convergence and the capacity of NCAs to conduct high-quality and effective supervision. Peer reviews are conducted in the context of EIOPA's oversight work on the basis of the Methodology for Conducting Peer Reviews. NCA representatives form part of the peer review team.

The scope of this peer review covered only those NCAs with IORPs operating in their country during the reference period.

The reference period of this peer review was 2014 – 2016 under the IORP Directive. As the implementation of the IORP II Directive does not substantially alter the rules for the Prudent Person Rule, the analysis in this report remains valid following the introduction of the IORP II Directive.

The [mandate for 2019 of the Review Panel](#) can be obtained via the following link to EIOPA's Website.