Plans to scrap Italian pension regulator anger trade unions

8 May 2014 **By** **Carlo Svaluto Moreolo (URL=/carlo-svaluto-moreolo/3304.bio)**

The Italian government's plans to scrap the pension regulator as part of a comprehensive reform of the public sector have sparked a wave of criticism by the country's trade unions.

Prime minister Matteo Renzi is working on a reform that will overhaul Italy's public sector, in a bid to generate savings and ease business practices.

The plans include abolishing costly public entities, including regulatory agencies that are deemed unnecessary.

Pension regulator Covip is among the candidates for elimination.

The Commissione di Vigilanza sui Fondi Pensione was set up in 1993 to oversee the activities of the country's second-pillar pension schemes.

In 2012, it had a budget of €11.2m, most of which is financed by pension schemes themselves.

In the same year, the Italian state contributed only €200,000 to it.

The plan is to merge Covip's activities with Banca d'Italia, with the central bank assuming responsibility for the regulation of pension schemes.

The country's major trade unions – CGIL, CISL and UIL – have voiced their deep disappointment over the project, arguing that the loss of an "independent" authority would damage second-pillar pension schemes and their members.

Additionally, the unions are worried that if Covip's duties are assumed by Banca d'Italia, a conflict of interest will arise, since Covip currently regulates open pension schemes set up by banks and insurance companies, as well as collective negotiation-based schemes.

Another concern is that, without a single authority overseeing the second pillar, workers will feel less protected and therefore less engaged with the issues surrounding pension planning.

UIL released a statement by Domenico Proietti, a high-ranking official at UIL (Unione Generale del Lavoro) and former vice-president of Assofondipensione (the association of collective negotiation-based schemes), which states: "The idea of abolishing the authority on pension schemes is a very serious mistake. It is necessary to maintain a single, specific and independent authority to guarantee efficient and transparent provision of complimentary pensions. The government's dreaded intention of transferring these competencies to Banca d'Italia would cancel those guarantees, as well as create a conflict of interests. If Covip were abolished, workers who are members of pension schemes would see the second-pillar system called into question again, while it has proved to be working."

Proietti instead called for the government to sponsor an information campaign about the benefits of second-pillar pension schemes.

His position was wholeheartedly shared by CISL (Confederazione Italiana Sindacati Lavoratori).

In a statement, CISL official Maurizio Petriccioli said: "The hypothesis of scrapping the Commission and transferring its duties to Banca d'Italia is wrong and dangerous. It is wrong because the costs of Covip do not weigh on the state's finances since pension schemes finance its budget. It is dangerous because it represents a new attempt of blurring the act of saving for retirement with investment."

The statement adds: "[This decision] risks strengthening public or private lobbies, whose only interest is to put their hands on the pool of second-pillar pensions."

Statements from CGIL (Confederazione Generale Italiana del Lavoro) echoed those of UIL's Proietti and CISL's Petriccioli.

The unions argue that Covip helps to keep pension schemes focused on their welfare purposes.

Prime minister Renzi replied in an interview with Italian broadsheet La Repubblica, published last week, dismissing the criticism.

He said the unions' disappointment stemmed from their concern that his reforms, if approved, would decrease their political power.

Renzi also pointed out that Covip's current chairman, Rino Tarelli, who was appointed this year after Antonio Finocchiaro's tenure came to an end, was a former high-ranking CISL trade unionist that enjoyed significant power for many years.

Renzi's reform plans, along with the abolition of Covip, have a long way to go.

Mario Monti's technocratic government had already attempted scrapping the authority for similar reasons during his tenure, which ended in 2013, but the parliament voted against the proposal, and Covip was kept alive.

Marco Abatecola, general secretary at Assofondipensione, the association of collective negotiation-based pension schemes, said: "We think this is deeply wrong. It is fundamental to have an independent, specific authority for second-pillar pensions in Italy. Covip has done a very good job of assuring common rules for actors that are very different from each other – negotiation-based, bank-owned and insurance schemes. It has also ensured similar costs for everyone and effective communication with members. Covip guarantees for all. It is financed by pension schemes themselves, so it does not burden the country's finances. Banca d'Italia has an important regulatory role in the banking and insurance sector. However, because there are schemes that belong to these sectors, and Banca d'Italia is effectively part-owned by banks themselves, then pension schemes should be regulated by an independent, impartial authority."

Andrea Canavesio of Italian pension consultancy Mangusta Risk highlights another issue, which lies with the strength of the authority.

He said: "The banking, insurance and pension regulating authorities should be separate. The pension sector should have its own regulator.

“Covip receives little help from the government, has a ‘light’ structure, and it is self-funded through contributions form pension schemes, so it has little impact on the government’s finances. Integrating Covip into the functions of Banca d’Italia would be justified only if it meant significant advantages for pension schemes.

“There is a problem to solve, in that Covip has limited scope for action. So any plan to give the authority more resources would be welcome.”

Covip declined to comment.