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EUROPEAN INSURANCE
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Opinion to EU institutions on common framework for risk assessment and transparency for pension funds

Olaf Sleijpen, OPC Chair
OPSG meeting
28 April 2016

April 2011	Commission's Call for Advice on review of the IORP Directive
	<ul style="list-style-type: none">• Harmonised solvency regime
February 2012	EIOPA's advice to Commission
July 2013	Report quantitative impact study (QIS)
	<ul style="list-style-type: none">• Conclusion: further work is needed
March 2014	Commission's IORP II proposal
	<ul style="list-style-type: none">• Governance and communication requirements• No harmonised solvency rules

Three years of further work on solvency of pension funds



- 2014 – Consultation paper
 - Valuation of technical provisions and sponsor support
 - Six examples of supervisory regimes
- 2015 – Quantitative assessment (QA)
 - BE, DE, IE, NL, PT and UK
- 2016 – Opinion to the EU institutions
 - Issued on EIOPA's own initiative
 - Not intended to interfere with current IORP II discussions

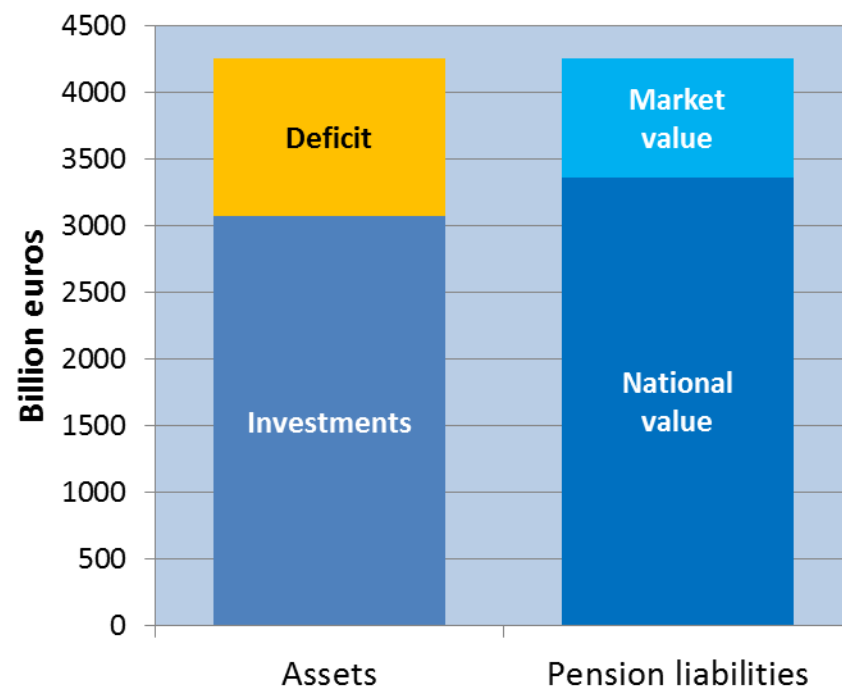
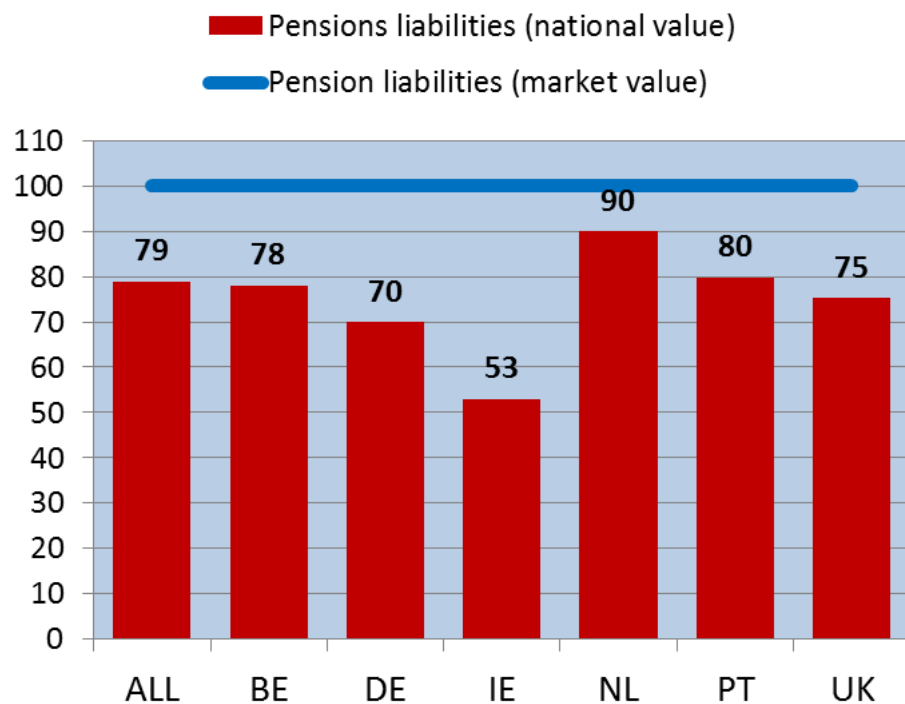
- Maintain current funding requirements in pillar 1
- Common framework in pillar 2/3 of IORP Directive
 - **Market-consistent balance sheet**, incl. all security and benefit adjustment mechanisms
 - **Standardised risk assessment** based on common, pre-defined stress scenarios
 - **Public disclosure** of main outcomes accompanied by appropriate explanation
 - **Sufficient powers for NSAs** to take supervisory action in response to conclusions risk assessment

Proportionate application to minimise the costs for small- and medium-sized IORPs

- Simplified approaches and methods
 - for example, balancing item approach to valuation of sponsor support
- Consider further simplification of standardised risk assessment
- Small IORP exemption based on threshold of €25 million in terms of assets
- Allowance to lower frequency of reporting to NSA from annually to every three years

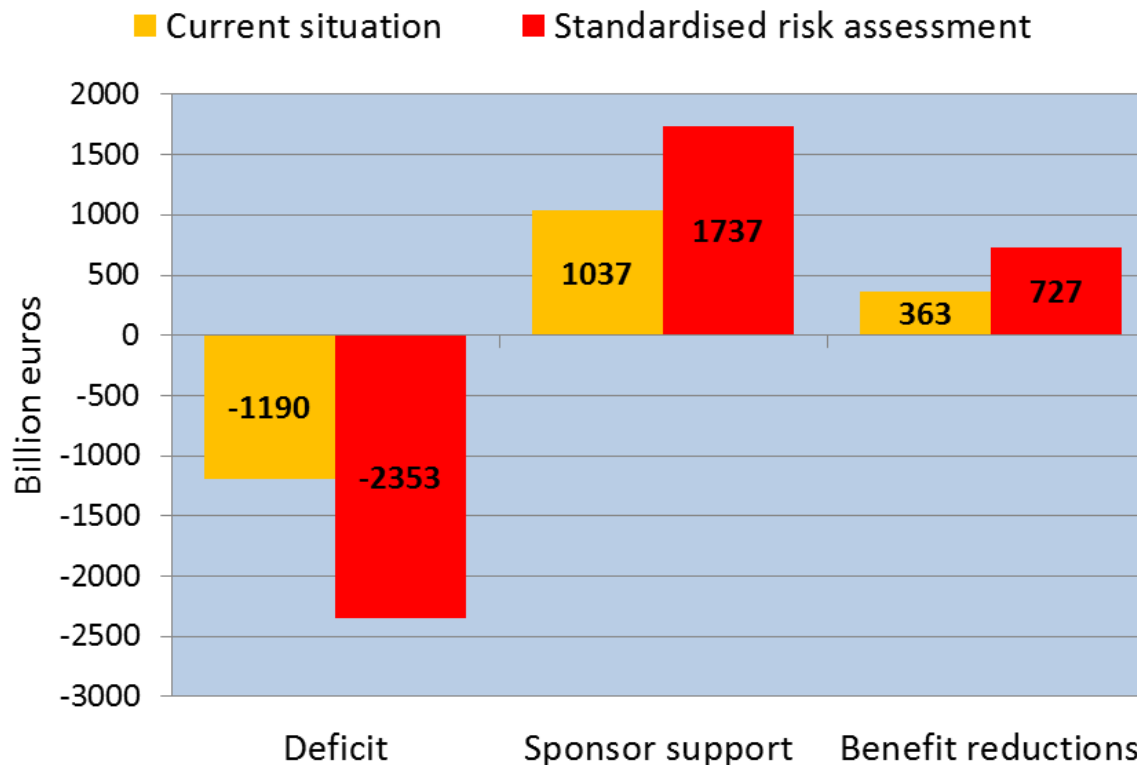
Realistic view of pension obligations

- Heterogeneous discount rates range from risk-free market rates to expected returns on assets
- National value pension liabilities 20% lower than market value



Better insight in vulnerabilities and risks

- Pension funds rely on sponsor support and benefit reductions
- Standardised risk assessment: doubling of sponsor support and benefit reductions



- Protection of members and beneficiaries
 - Better understanding of vulnerabilities and risks
 - Transparency and scope for supervisory action encourage dialogue and timely adjustments
- Cross-border activity and regulatory arbitrage
 - Common approach to value assets and liabilities and to measure risks
- EU-wide pension stress tests

**EIOPA
conclusion**

- Benefits of common framework are expected to exceed costs

- EIOPA stands ready to work with the European institutions to implement the common framework into EU legislation
- OPSG invited to provide feedback to Opinion



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Thank you

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