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Science For A Better Life



EIOPA
OPSG-Meeting 2017, April 26th
Stresstest 2017
First general Feedback
Bayer-Pensionskasse VVaG
Dr. Stefan Nellshen



The OPSG Welcomes:

- **the execution of a stresstest in order to assess the impact of economically adverse scenarios to the European occupational pension landscape as a whole**
- **EIOPA testing alternative methodologies such as cashflow analysis**
- **simplifications (especially compared to last stresstest) made by EIOPA, e.g. only one adverse scenario, no calculation of SCR's, no quantification of the degree of model error, homogeneous grouping of contracts...)**
- **that the valuation of sponsor support is principle based to a certain extent**

The OPSG Stresses: (1)

- **EIOPA should not take any conclusions or regulatory actions towards single IORPs (this is task of the NSAs)**
- **Unfortunately only cash-flow-data is described, not the methodology and the additional assumptions of the cashflow-analysis itself**
- **A stresstest should not be done with two different methodologies (CF-analysis AND Common Methodologies) in parallel in the future → after testing and consulting with OPSG a final decision should be taken**
- **An assessment of the impact of adverse scenarios on sponsor companies is unrealistic and hence should not be done**
- **In general, sponsor companies are (normally) not under the supervision/regulation by EIOPA**

The OPSG Stresses: (2)

- **Stresstest has still a relatively high level of complexity (e.g. full HBS calculation, except SCR)**
- **A more generous time-frame for conducting the stresstest (more than two months!) would be helpful**
- **In the future also smaller IORPs should generally be included, BUT: they have to be capable to perform the calculations**
- **Concrete shock parameters have not been shown in the Draft Technical Specifications**
- **In many cases it still will be difficult or impossible to collect the data needed for the valuation of sponsor support (e.g. multi-sponsor-IORPs, non publicly listed sponsor companies, legal issues in some countries,)**
- **Sponsor support should also be taken into account in the cashflow-analysis (otherwise: inconsistency to Common Methodology approach)**
- **The treatment of deficit positions (as resulting in a corresponding reduction of member's benefits) may take away transparency**

The OPSG Stresses: (3)

- Estimating future mortality trends may in certain single cases become very difficult
- The application of a risk margin based on a cost-of-capital-approach still in many cases does not fit to the real life situation of IORPs
- In case of additional contributions:

credit quality of employees = credit quality of employers?
- The application of the Common Methodology for stress test purposes is still seen critical → a principle based, long-term-oriented, cash-flow based (where it fits) approach still seems to be preferable
- Pan-European stresstests should not send different steering signals to IPRP's management than the national ones



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Thank you for your kind attention.
We are looking forward to a fruitful and interesting
discussion!