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Holistic Balance Sheet in a Nutshell

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- April 2011: European Commission's CfA
 - harmonised, risk-based prudential regime for IORPs
- 15 February 2012: EIOPA's final advice
 - I. Quantitative requirements on valuation and solvency**
 - II. Qualitative requirements on governance and supervisory review
 - III. Transparency requirement, i.e. information provision to members and beneficiaries
- 23 May 2013: Commission's announcement that solvency rules will not be included in forthcoming legislative proposal

Diversity of IORP valuation of rules

- Minimum harmonisation approach IORP Directive

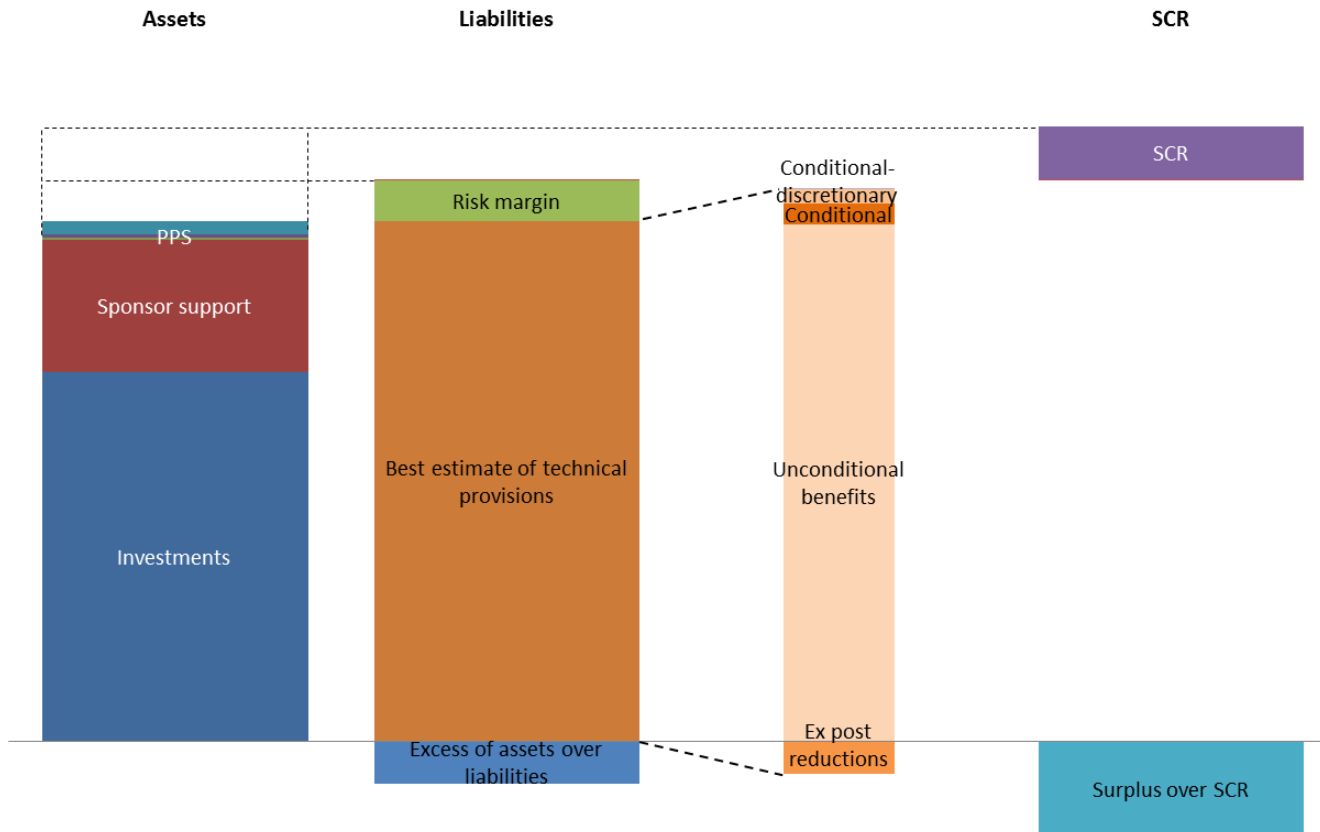
		AT	BE	DE (pk)	DE (pf)	DK	ES	FI	FR	GR	IE	IT	LI	LU	MT	NL	NO	PT	SE	UK	Total	
Discount rate	Fixed max. discount rates	Y					Y	Y						Y CAA								4
	Current risk free market rates				Y	Y										Y		Y	Y			5
	Expected return on assets		Y							Y	Y	Y	Y	Y CSSF	Y						Y	8
	Based on life directive			Y					Y									Y				3
Mortality Tables	Current mort. rates		Y		Y	Y		Y		Y	Y					Y		Y	Y			9
	Trend included	Y	Y	Y	Y		Y		Y		Y		Y	Y		Y	Y		Y	Y		13
	Prudence added	Y		Y			Y		Y				Y	Y	Y		Y			Y		9
Reserving method	No infl./sal. indexation			Y	Y			Y	Y				Y		Y	Y	Y		Y			9
	Inflation protection										Y										Y	2
	Infl. protec. and sal. index.	Y					Y			Y				Y				Y				5
	Other		Y			Y						Y										3
Indexation to deferred benefits	Obligation of the IORP										Y										Y	2
	Common practice Yes	Y		Y		Y		Y				Y		Y		Y	Y		Y			9
	Common practice No				Y													Y				2
Indexation to pension in payment	Obligation of the IORP																	Y		Y		2
	Common practice Yes	Y		Y		Y	Y	Y			Y	Y		Y CAA		Y	Y		Y			11
	Common practice No				Y				Y													2
Expenses	Covered by TP	Y	Y	Y	Y	Y		Y	Y								Y	Y		Y	Y	11
	Not covered by TP						Y			Y	Y	Y		Y	Y			Y				7

Diversity of security and benefit adjustment mechanisms

- Risks can be borne by IORPs, sponsoring undertakings and/or members and beneficiaries

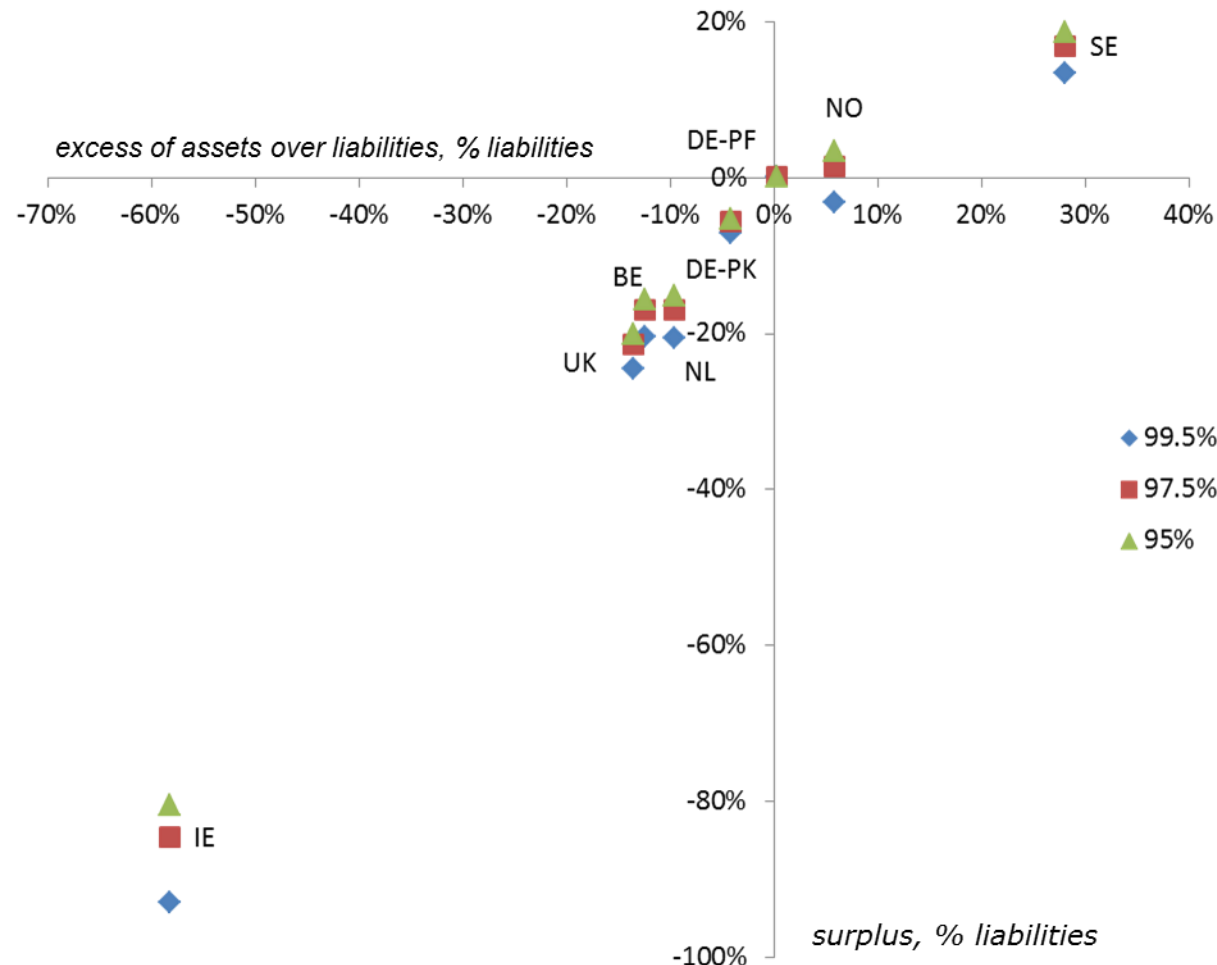
Security mechanisms		AT	BE	DE	DK	ES	FI	FR	GR	IE	IT	LI	LU	MT	NL	NO	PT	SE	UK	Total
Regulatory Own Funds		Y	Y	Y	Y	Y		Y						Y	Y	Y		Y		10
Subordinated loans				Y	Y			Y							Y	Y		Y		6
S s o p o n s o r t	Unlimited	Y				Y	Y						Y CAA	Y					Y	6
	Limited		Y		Y							Y	Y CSSF				Y	Y		6
	Not automatic			Y				Y	Y	Y	Y				Y	Y				7
Guarantee fund				Y				Y											Y	3
Reduction of accrued rights		Y	Y	Y						Y	Y				Y		Y			7
Reduction in future conditional indexation					Y										Y			Y		3
Other security mechanism										Y									Y	2

Holistic balance sheet



- Market-consistent valuation basis
- All security and benefit adjustment mechanisms included
- Risk-based solvency capital requirement

QIS on IORPs: Large differences in plan member protection



- Excess of assets over liabilities and surplus over SCR range from substantial surpluses to large shortfalls

Further work on holistic balance sheet: five workstreams



OPC will conduct further work on holistic balance sheet during 2014 in five areas:

- Sponsor support
 - Discussion paper published on 4 July 2013
- Supervisory responses
- Discretionary decision-making processes
- Benefit reduction mechanisms
- Boundaries cash flows included in liabilities
- Consultation paper expected end-Q3 2014



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Thank you

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