

## **PRESS RELEASE**

### **Launch of EIOPA's 2019 Occupational Pensions Stress Test Exercise**

- *Crucial biennial exercise to assess the resilience and potential vulnerabilities of the European Defined Benefit and Defined Contribution pension sector*
- *Tailored to the specificities of the diverse European pension sector and its potential impact on financial stability*
- *Adverse market scenario mirrors the current risk outlook on financial markets*
- *For the first time, a European stress test includes an assessment of Environmental, Social and Governance (ESG) exposures*

Frankfurt, 2 April 2019 – Today, the European Insurance and Occupational Pensions Authority (EIOPA) launched its biennial stress test of the European occupational pension sector. This exercise is expected to allow important and relevant insights into the resilience and potential vulnerabilities of the European occupational pension sector. For the first time, a European stress test includes an assessment of Environmental, Social and Governance (ESG) exposures. The core assessment refers to the direct impact of a stressed market scenario on the sustainability and funding of Defined Benefit (DB) pension funds and on the projected future retirement income of members of Defined Contribution (DC) pension funds.

Developing further the methodologies and approaches used for previous exercises, the 2019 stress test has been complemented to assess pension funds' potential reaction to the adverse market scenario on their investment allocation to understand better possible conjoint investment behaviours that may be relevant for the stability of the financial markets. Also, the effects of conditional cash in- and out-flows, which may mitigate or amplify the effects of the adverse market scenario on DB pension funds, can be assessed following an enriched cash flow analysis.

For the 2019 exercise, EIOPA decided to add an analytical component to focus on pension funds' current exposures and risk management practices regarding ESG factors, which will provide a relevant starting point for ESG-related financial stability assessments of the European financial sector.

Addressing stakeholders' feedback, the 2019 Occupational Pensions Stress Test has been initiated on an expeditious timeline to allow pension funds significantly more time to carry out the exercise and for National Competent Authorities to evaluate the results. A dedicated Q&A process with

timely publications and a centralised validation procedure will further enhance the practicability and quality of the exercise. The results and conclusions of the stress test are expected to be published by the end of 2019.

Gabriel Bernardino, Chairman of EIOPA, said: *„In light of the challenging economic environment and the public’s attention to its effects on private pensions, EIOPA’s 2019 Occupational Pensions Stress Test is an important, highly relevant and timely exercise to provide insights in the sustainability and vulnerabilities of occupational pensions in Europe.“*

Further details can be obtained via [this link](#) to the respective section of EIOPA’s Website.

## Notes for Editors

**Defined Benefit (DB)** pension scheme is a retirement plan that guarantees a specific retirement benefit amount for each scheme member.

**Defined Contribution (DC)** pension scheme is a retirement plan that is funded primarily by the scheme member while the employer matches contributions to a certain amount.

**EIOPA’s Occupational Pensions Stress Test** – EIOPA, in cooperation with the European Systemic Risk Board (ESRB), initiates and coordinates European stress test of Institutions for Occupational Retirement Provision (IORPs). The EIOPA regulation distinguishes two possible objectives of such stress test, assessing:

1. The resilience of IORPs to adverse market developments
2. The potential for systemic risk that may be posed by financial institutions to increase in situations of stress

The **European Insurance and Occupational Pensions Authority (EIOPA)** was established on 1 January 2011 as a result of the reforms to the structure of supervision of the financial sector in the European Union.

EIOPA is part of the European System of Financial Supervision consisting of three European Supervisory Authorities, the National Supervisory Authorities and the European Systemic Risk Board. It is an independent advisory body to the European Commission, the European Parliament and the Council of the European Union.

EIOPA’s core responsibilities are to support the stability of the financial system, transparency of markets and financial products as well as the protection of insurance policyholders, pension scheme members and beneficiaries.