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EUROPEAN INSURANCE
AND OCCUPATIONAL PENSIONS AUTHORITY

Bird`s eye view of the stress test

EIOPA 2017 IORP Stress Test Launch Event
Frankfurt, 18 May 2017 Barthold Kuipers (EIOPA)

- Scope, objectives and participation
- Overview stress test contents
- Process during and following exercise

- Scope both DB/hybrid and DC
- Objectives for both DB/hybrid and DC
 - Resilience of IORPs to adverse market scenario
 - 2nd round effects on real economy and financial stability
 - Smoothing of shocks over time by prudential mechanisms
 - Consequences of additional pressure put on sponsors
- ⇒ EIOPA conclusion in 2015 IORP stress test report (Jan 2016)
- ⇒ ESRB conclusion in low interest rate report (Nov 2016)

- Market coverage
 - o Ambition is coverage of at least 50% of assets
 - o NSAs may choose to aim for 50% of assets (DB/hybrid) and 50% of plan members (DC)
 - o Minimum threshold of EUR 500 million (19 countries):
 - AT, BE, CY, DE, DK, ES, FI, GR, IE, IT, LI, LU, NL, NO, PT, SE, SK, SI, UK
 - IS to participate on voluntary basis
 - o NSAs aim to achieve representative sample
- Exercise to be completed by participating IORPs

- Resilience to the adverse market scenario
 - o National balance sheet
 - o Common balance sheet
 - o Cash-flow analysis *new*
- Implications real economy and financial markets
 - o Absorption of shocks over time *new*
 - Qualitative information from NCAs
 - IORP-specific information on recovery plans
 - o Impact on sponsors *new*
 - Qualitative and quantitative information from IORPs
 - o Effects of investment behaviour on financial markets

- Resilience to the adverse market scenario *new*
 - Impact on IORPs' overall assets
- Implications real economy and financial markets
 - Impact on retirement income DC members
 - outcomes three representative plan members
 - extrapolate to future retirement at IORP level *new*
 - Effects of investment behaviour on financial markets *new*

- One adverse market scenario
- Simplifications
 - Stress test specifications
 - Technical specifications common balance sheet
- Helper tools
 - DB/hybrid valuation sponsor support and pension protection schemes
 - DC calculation future retirement income of representative plan members
- Best effort basis

- Objective and scope
- Timeline
- Reporting templates
- Supporting spreadsheets
- Questions and answers
- Working process
- Background documents



The screenshot shows the EIOPA website header with the logo and navigation menu. The main content area is titled "Occupational Pensions Stress Test 2017" and includes sections for "Objective", "Scope", and "Timeline".

Objective

Stress tests are an important supervisory tool to provide confidence in the occupational pensions sector. They contribute to the stability and enhance the protection of pension scheme members.

The main objectives of the 2017 exercise are to assess the resilience of Occupational Retirement Provision (IORPs) to an adverse market scenario, develop the transmission mechanisms of IORPs to the real economy, and assess the impact of the exercise on the real economy.

Scope

The stress test is a European-wide exercise, covering all countries with major Occupational Retirement Provision (DC) plans. The exercise includes all countries with major Occupational Retirement Provision (DC) plans. The relevant national supervisory authorities (NSAs) will be invited to participate in the exercise.

Timeline

- Q&A process
 - o Submission of questions from 18 May until 23 June
 - o IORPs to send questions to NSAs
 - o NSAs forward questions of “general relevance” to EIOPA
 - o EIOPA Q&A workstream formulates answer
 - o Answer within 5-8 working days
 - o Publication every Wednesday on EIOPA website
 - o Last publication Wednesday, 5 July
- Submission of templates to NSAs on 13 July

- Validation of data
 - o 13 Jul-22 Aug – National validation/follow-up with IORPs
 - o 4-19 Sep – Follow-up NSAs with IORPs
 - o 29 Sep – End central validation meeting
 - o Participation of limited number of experts in central validation and strict confidentiality and security protocols
- Report
 - o Publication around mid-December 2017
 - o No names of IORPs or data that can be linked to individual IORPs will be disclosed/published



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Q&A

<https://eiopa.europa.eu/Pages/Financial-stability-and-crisis-prevention/Occupational-Pensions-Stress-Test-2017>