



EIOPA-BoS-15/092  
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## Qualitative Questionnaire – IORP Stress Test - DC satellite module

*Participants are requested to provide their responses in the reporting spreadsheet for the DC satellite module included in the stress test package.*

### **0. Identification of respondent**

1. Please indicate the name of the IORP for which you are completing the data template/ qualitative questionnaire.

### **1. Description of IORP and membership**

2. Does the IORP participate in the DC satellite module for only part of its activities (i.e. for ring-fenced/schemes/sub-funds of the IORP) (yes/no)?
3. Please provide the number of DC members and beneficiaries covered by the IORP broken down by active, deferred and retired persons at the end of 2014 (or the most recent earlier date for which data are available).

	Number x 1000
Total number of members	
- active members	
- deferred members	
- retired persons	

4. Please provide the total number of DC members in the accumulation phase and amount assets invested by the IORP for these members broken down by remaining years to the standard retirement age at the end of 2014 (or the most recent earlier date for which data are available).

Years to standard retirement age	Members and beneficiaries (in '000)	Assets (reporting currency and unit)
0-5 years		
5-10 years		

10-15 years		
15-20 years		
20-25 years		
25-30 years		
30-35 years		
35- 40 years		
> 40 years		
Total		

5. Please indicate the status of the DC schemes provided by the IORP (mark X if appropriate, multiple answers possible if IORP provides more than one DC scheme)

	check
Open	
Closed to new members	
Closed to new accruals	

## **2. Nature of membership of the DC plan**

6. Please indicate how members and beneficiaries enrolled in the DC scheme(s) of the IORP (mark X if appropriate, multiple answers possible.) If 'Other', please specify.

	check
Active choice of the member	
Auto-enrolment	
Mandatory through employment relationship	
Other	

## **3. Design of DC scheme and other sources of pension income**

The adequacy and risks in overall pension income depend on the features of the DC scheme. However, other sources of pension income, savings and wealth will also play an important role. The design of the DC scheme may take into account these other sources of pension income, for example, in determining the level of contributions, in shaping the risk-return characteristics of the investment option(s) in the accumulation phase and the pay-out method(s) in the decumulation phase.

7. Does the design of the DC scheme take into account other potential sources of pension income the plan members may have (yes/no/unknown)? If "Yes", please indicate which other sources are considered in the design of the DC scheme (mark X if appropriate)

	check
State pensions	
Occupational pensions at other providers	
Personal pensions savings at other providers	
Other personal savings	
Housing wealth	

If the DC scheme design takes into account other sources of pension income, please explain how.

8. How much retirement income do you expect the three representative plan members distinguished in the DC satellite module to receive from the first pillar state pension? Please provide an estimate of the replacement rate (gross retirement income as a percentage of the final wage) or a gross amount of retirement in current prices (in national currency).

It should be assumed that the representative plan members continue to accrue state pensions until retirement. If relevant, the projections for real salary growth for the three representative plan members included in the reporting template should be assumed.

	Plan member 35 years	Plan member 20 years	Plan member 5 years
Replacement rate (% final wage)			
Gross amount (current price level)			

**4. Contribution rates**

The DC satellite module assumes that contribution rates are not adjusted in response to the adverse scenarios. A sensitivity analysis is performed to determine to what extent contribution rates have to be raised to compensate for the decline in the replacement rate.

9. What factors determine the level of contributions in the DC scheme? Are there any (legal, fiscal or other) constraints on the level of contribution rates? Please briefly explain.

10. Are DC members allowed to increase the amount of contributions to the DC plan (yes/no)?  
 If contribution increases are allowed, are increases in contributions or the level of contributions rates of the three representative plan members subject to a maximum (yes/no). If 'yes', please provide the maximum increase in contributions or maximum contribution rate.

If 'Yes', in the IORP's experience are members inclined to raise their contributions to the DC scheme following adverse market development (yes/no/unknown)? Please explain.

**5. Accumulation phase**

11. Please indicate the extent to which individual plan members are allowed to choose between the different investment options of their DC plan (mark X if appropriate). If 'other', please specify.

	check
No choice	
Choice of limited number of investment options with a default option applicable in case of no active choice	
Choice of limited number of investment options with no applicable default option	
Other	

Life-cycle/target date funds re-balance towards a target asset mix or equivalent, such as a target risk budget. The target asset mix (or equivalent) does not remain constant over time,

but is adjusted over time until it reaches a certain target date, which may be related to the age or the expected retirement age of the DC member.

- 12. Please indicate whether the default fund/largest investment option in terms of assets takes a life-cycle or target-date approach (yes/no) If “Yes”, please provide a short explanation of the design and objectives of the approach.
- 13. Do the asset weights reported in the DC satellite module provide an adequate representation of the actual asset allocation of the plan? In particular, the DC satellite module of the IORP stress test assumes that fixed proportions of pensions wealth are allocated to different asset classes where the proportions can vary over the life-cycle, but in a pre-specified way. This ignores any discretionary changes in the asset allocation or dynamic investment strategies where the portfolio weights depend on the state of the financial markets. Is the assumption of fixed proportions representative for the default fund/largest investment option of the DC scheme (yes/no)? If “No”, please explain why not.
- 14. Does the default fund/largest investment option in terms of assets make use of derivative instruments to hedge the risks listed in the table below (yes/no)? If derivatives are used to hedge ‘longevity risk’ or ‘other risk’, please provide a brief explanation.

	Indicate (yes/no)
Interest rate risk	
Inflation risk	
Foreign exchange risk	
Equity risk	
Spread risk	
Longevity risk	
Other risk	

The DC satellite module does not take into account transaction costs related to trading of financial instruments in the baseline and adverse scenarios. Transaction costs can be divided into two categories: 1) explicit transaction costs which are explicitly paid during the investment process (ticket fees, brokerage fees), and 2) implicit transactions costs which are implicitly included in the price of the financial instrument or deducted by default (bid-ask spreads, market impact costs, trading/transaction taxes).<sup>1</sup>

- 15. Please provide an estimate of the annual portfolio turnover (minimum of assets purchased and sold as a percentage of total asset) of the default fund/largest investment option as well as the annual explicit and implicit transaction costs.

Annual portfolio turnover (% total assets)	
Annual explicit transaction costs (% total assets)	
Annual implicit transaction costs (% total assets)	
of which: bid-ask spreads	
of which: market impact costs	
of which: other	

<sup>1</sup> See EIOPA, EIOPA Report on Costs and Charges of IORPs, EIOPA-BoS-14/266, 7 January 2015 for a more elaborate description of transaction costs: [https://eiopa.europa.eu/Publications/Reports/EIOPA-BoS-14-266-Final\\_report\\_on\\_costs\\_and\\_charges\\_of\\_IORPs.pdf](https://eiopa.europa.eu/Publications/Reports/EIOPA-BoS-14-266-Final_report_on_costs_and_charges_of_IORPs.pdf)

**6. Decumulation phase**

16. Does the IORP provide for retirement income (other than a lump sum payment at retirement) during the decumulation phase or do plan members have to approach a different provider? [mark X if appropriate]

Responsible for pay-out phase	check
IORP	
Other provider	
Both possible	

17. Are there any (legal, fiscal or other) constraints to the type of pay-out method in the decumulation phase (yes/no)? If 'yes', please briefly describe.

18. Which pay-out method are plan members typically expected to use in the DC plan? [mark X if appropriate]

	check
Annuity	
Income drawdown	
Lump sum	
Lump sum + annuity	
Lump sum + income drawdown	

19. If plan members are typically expected to convert accumulated assets into an annuity, please indicate the typical type of annuity. [mark X if appropriate, multiple answers possible]

	check
Temporary annuity	
Life annuity	
Nominal annuity	
Inflation-linked annuity	
Variable annuity	

The DC satellite module includes a sensitivity analysis to determine to what extent the retirement age had to be postponed to compensate for the decline in the replacement rate.

20. Are members allowed the flexibility to postpone the year of starting to receive their pension benefits in the DC IORP (yes/no)?

If 'Yes', in your experience are plan members inclined to postpone starting to receive their pension benefits following adverse market developments (yes/no/unknown)? Please explain.

**7. Any other comments**

21. Please provide any other comments that you wish to express with regard to the DC satellite module within the IORP stress test.