



**Press Release, 26 January 2016**

## **PensionsEurope advises to be very cautious with the interpretation of EIOPA's IORP stress test results**

The European Insurance and Occupational Pensions Authority (EIOPA) published the stress test results of the European Institutions for Occupational Retirement Provision (IORPs) in 17 EU countries on 26 January 2016. This first ever European stress test covered 140 DB/hybrid IORPs and 64 DC IORPs. As this test thus covers only a small portion of the total number of IORPs PensionsEurope concludes that the results do not necessarily give the correct picture of the European IORPs' ability to cope with stress scenarios.

Janwillem Bouma, Chair of PensionsEurope, said:

- "One has to be very careful not to draw too far reaching conclusions from these results. I also have serious doubts about a Holistic Balance Sheet model or other common European methodologies used by EIOPA. The results based on existing prudential frameworks in each member state are in many ways different than those based on the European methodology and I am not convinced that a European framework as envisaged by EIOPA is suitable or useful."
- "I agree with EIOPA on the fact that the impacts on the real economy and financial markets are very important issues and need to be investigated further. The results published today show that the current investment environment, particularly low interest rates, has posed challenges to IORPs and these need to be dealt with."

Secretary General/CEO of PensionsEurope Matti Leppälä also advises to be very cautious with the interpretation of the stress test results as a whole:

- "The results can be read in many different ways since there is no common interpretation of what certain result figures would really mean in practice. A misinterpretation of these numbers can lead to wrong conclusions and negative consequences for IORPs and their stakeholders, such as members and sponsoring companies."
- "Given their long recovery periods, IORPs are able to mitigate financial and many other shocks effectively. IORPs have adjustment and security mechanisms to cope with lower funding ratios."

PensionsEurope has already pointed out several problems with EIOPA's stress test methodology in the past, especially the use of the Holistic Balance Sheet model that is inconsistent with the recovery plans. PensionsEurope has rejected this model as a harmonized solvency framework and invites EIOPA to start thinking about better risk management tools, such as asset liability management studies and continuity analyses. PensionsEurope will carefully analyse this report and give its further analysis in a few weeks' time.

## About PensionsEurope

**PensionsEurope** represents national associations of pension funds and similar institutions for workplace pensions. Some members operate purely individual pension schemes. PensionsEurope Members are large institutional investors representing the **buy-side** on the financial markets.

PensionsEurope has **24 member associations** in EU Member States and other European countries with significant – in size and relevance – workplace pension systems<sup>1</sup>.

PensionsEurope member organisations cover the workplace pensions of about **70 million European citizens**. Through its Member Associations PensionsEurope represents around **€ 3.5 trillion of assets** managed for future pension payments.

PensionsEurope also has **27 Corporate and Supporter Members** which are various service providers and stakeholders that work with IORPs.

PensionsEurope has established a **Central & Eastern European Countries Forum (CEEC Forum)** to discuss issues common to pension systems in that region.

PensionsEurope has established a **Multinational Advisory Group (MAG)** which delivers advice on pension issues to PensionsEurope. It provides a collective voice and information sharing for the expertise and opinions of multinationals.

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<sup>1</sup> EU Member States: Austria, Belgium, Croatia, Finland, France, Germany, Hungary, Ireland, Italy, Luxembourg, Netherlands, Portugal, Romania, Spain, Sweden, UK. Non-EU Member States: Iceland, Norway, Switzerland.