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Update on further work on solvency for IORPs

Brendan Kennedy, Chairman OPC
Sponsor Support Event
Frankfurt, 17 October 2013

- Stakeholders identified issues with technical specifications before and during QIS exercise
- EIOPA concluded in QIS final report that
 - further work is necessary to fully assess the practicality of the holistic balance sheet
 - it would set out a programme of work to better assess and compare IORP solvency and to contribute to EU initiatives in this area
- European Commission announced on 23 May that forthcoming legislative proposal will not cover solvency rules and that further technical work is needed

Issues with sixteen areas of the technical specifications

| | |
|--------------------------------------------|-----------------------------------------|
| 1) Valuation sponsor support | 9) Pension protection schemes |
| 2) Supervisory responses | 10) Expenses |
| 3) Discretionary decision-making processes | 11) Segmentation of pension obligations |
| 4) Benefit reduction mechanisms | 12) Risk margin |
| 5) Contract boundaries | 13) Minimum capital requirement |
| 6) SCR 97.5% and 95% confidence levels | 14) Level B expected return |
| 7) Long-term adjustments risk-free rate | 15) Inflation |
| 8) Stochastic valuations | 16) Proportionality |

OPC will conduct further work on solvency issues during 2014 in five areas:

- Sponsor support (already underway)
- Supervisory responses
- Discretionary decision-making processes
- Benefit reduction mechanisms
- Contract boundaries

- 24/25 October – OPC decision on further work
- 31 October – Deadline responses to discussion paper on sponsor support
- Q3 2014 – Consultation papers on further work
- Q4 2014 – Public consultation
- 2015 – Final reports, impact assessment & delivery to European Commission



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Thank you

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