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To:
Occupational Pensions Stakeholder Group (OPSG)
Actuarial Association of Europe (AAE)
European Association of Paritarian Institutions (AEIP)
PensionsEurope

EIOPA-17/189
30 March 2017

Informal Consultation on 2017 IORP Stress Test package

Dear Madam/Sir,

We are glad to invite you in the informal consultation on the package for the 2017 IORP stress test which EIOPA expects to launch on 18 May 2017.

The second IORP stress test will again constitute a European-wide exercise, including all countries in the EEA with material IORP sectors and covering both DB as well as DC schemes. The main objectives of the stress test are to assess the resilience of IORPs to an adverse market scenario developed in cooperation with the ESRB and the transmission mechanisms towards the real economy and financial markets.

In comparison to the 2015 stress test, the DB/hybrid-part of the exercise takes a more in-depth look at the second round effects on the real economy by exploring the absorption of shocks over time and the impact on sponsors. Moreover, the DB/hybrid-part of the stress test introduces a (limited) cash-flow analysis, following the advice in OPSG's Position Paper on EIOPA's Opinion on a Common Framework for Risk Assessment and Transparency. At this point, I would also like to reiterate my gratitude to AAE, AEIP and PensionsEurope for their valuable informal advice earlier this year with respect to the cash-flow and sponsor impact analyses.

The DC-part of the stress test has converged with the DB/hybrid-part, increasing its focus on financial stability. DC IORPs have to calculate the effect of the adverse scenario on the market value of overall assets. Moreover, the DC-part of the stress test will analyse the impact on future retirement income of plan members and, consequently, the real economy. Like DB/hybrid IORPs, DC IORPs are asked to indicate their expected investment behaviour following the adverse scenario to get insight in the impact on financial markets.

EIOPA recognises the importance of providing a stress test package that is proportionate in nature and minimises the burden on participating IORPs. To that end, this year's stress test contains only one adverse market scenario compared to three adverse scenarios in the DB/hybrid-part and five adverse scenarios in the DC-part of the 2015 exercise. We are convinced that your technical feedback will further enhance the practicability and quality of the stress test package.

The consultation package for the 2017 IORP stress test consists of:

- Draft IORP Stress Test 2017 Specifications;
- Draft Annex with Technical Specifications for the Common Balance Sheet;
- Draft Qualitative/Quantitative Questionnaire for DB/hybrid IORPs;
- Draft Qualitative/Quantitative Questionnaire for DC IORPs;
- Draft Reporting Spreadsheet for DB/hybrid IORPs;
- Draft Reporting Spreadsheet for DC IORPs to provide impact on overall assets and responses to the questionnaire;
- Draft Helper Spreadsheet for DB/hybrid IORPs to value sponsor support and pension protection schemes.

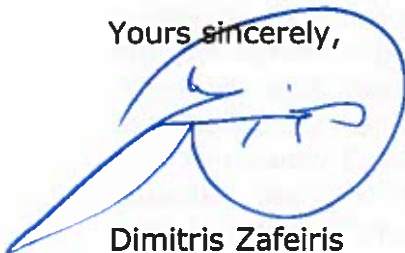
The draft stress test specifications do not contain the numerical stress levels in the adverse market scenario. Accordingly, the consultation package does not include the spreadsheet with the (stressed) interest rate/inflation curves and the government/corporate bond stresses.

The aim is to forward you the DC spreadsheet tool/template for assessing the impact on future retirement income of plan members later next week for information. Although not part of the informal consultation, any comments you may have on the DC spreadsheet tool/template would be welcomed.

Your technical feedback would be most helpful if it contains suggestions to enhance the clarity and practicability of the specifications, questionnaires and spreadsheets and identifies inconsistencies and mistakes.

We would be grateful to receive your written feedback by Thursday, 13 April 2017 using the accompanying template for comments and look forward to continuing our cooperation.

Yours sincerely,



Dimitris Zafeiris