



I N B R I E F

#LIQUIDITY #IORPS #STRESSTEST #EIOPA #PENSIONS

2025 IORP STRESS TEST

The 2025 IORP stress test assessed the **ability of European Institutions for Occupational Retirement Provision (IORPs) to sustain liquidity strains** stemming from an episode of instantaneous market turmoil with shocks to asset prices and potential margin calls.

The exercise covers a representative sample of **156 IORPs from 18 European Economic Area (EEA) countries** ensuring a market coverage around 60% based on total assets.

The scenarios are based on a **Yield Curve Up (YCU) and a Yield Curve Down (YCD) shift of swap rates (+/- 100 bp)** and include a consistent set of market shocks to all relevant asset classes, including a set of shocks to currency exchange rates.

While the stress test exercise had a primarily microprudential focus, it **retains the non-pass/fail nature of previous stress tests** in that results do not automatically trigger supervisory action.

STRUCTURE

The 2025 IORP stress test **targets of the liquidity position of the participants** by a hybrid stocks/flows analysis of the liquidity sources and liquidity needs. The exercise focuses on the asset side of the balance sheet.

The post-stress liquidity positions have been calculated by participants under **two different assumptions**: i) stressed balance sheet; and ii) stressed balance sheet with application of (realistic) management actions.

<p>SCENARIO</p>	<ul style="list-style-type: none"> ▶ Narrative: <ul style="list-style-type: none"> • Common driver: High geopolitical uncertainty • YCU: The escalation of geopolitical tensions affects the supply side of the economy • YDU: Prolonged geopolitical tensions affect the demand side of the economy ▶ Shocks: <ul style="list-style-type: none"> • Market shocks (major asset classes) • FX shocks and liquidity haircuts as a novelty
<p>APPROACH</p>	<ul style="list-style-type: none"> ▶ Focused: assets only ▶ Instantaneous shocks ▶ Fixed and constrained balance sheet approach (with and without management actions)
<p>METRICS</p>	<ul style="list-style-type: none"> ▶ Liquidity position (assets) ▶ Net flow position over 90 days ▶ Sustainability of the net-flow position

WHO PARTICIPATED?

156

IORPs

=

18

jurisdictions
covering all markets
with material IORP sectors

60%

market coverage
of the EEA market
in total assets

MAIN FINDINGS

Sustainability metrics, which cover liquid assets on top of cash and cash-equivalent holdings, point to a **resilient sector that has solid aggregate liquidity buffers** (€1.44 trillion in liquid assets in the baseline).

The stress test results show that IORPs' practices of **hedging against a drop in interest rates** and against a fall in the value of the euro via derivatives **can expose them to considerable liquidity risks** under the scenarios tested.

Given the combined effects of rising rates and euro depreciation, **the 'yield curve up' scenario proved more challenging to IORPs** than the 'yield curve down' one, where interest rates declined.

The **baseline drops to €1.20 trillion with management actions**, with no participants reporting negative sustainability indicators. However, 27 entities still lack sufficient cash to meet margin calls, which must be covered swiftly and, with some exceptions, in cash.

Participants demonstrated that they **have the abilities and tools to cope with adverse developments** regarding their liquidity position, mainly through changes in the investment strategies.

The **most common management actions** in response to the YCU scenario include the **sale of assets, reduction of trading activities**, using high-quality bonds as collateral to cover margin calls and use of repo agreements.

In the YCD scenario, the distribution between DB and DC follows similar trends as for the YCU with IORPs only providing **DB schemes being less prone to sell assets** compared to IORPs providing only DC schemes.

RESULTS OF THE YCU SCENARIO

	BASELINE	STRESSED		STRESSED WITH MA	
	Value (EUR bn)	Value (EUR bn)	Δ (Baseline)	Value (EUR bn)	Δ (Baseline)
LIQUIDITY POSITION (net flows + cash and equivalent)	74	-60	-181%	15	-80%
SUSTAINABILITY (net flows + cash and equivalent + liquid assets w/ haircut)	1,444	1,138	-21%	1,202	-17%
NUMBER OF IORPs with negative liquidity positions	-	68	-	29	-

LEARN MORE



Visit the dedicated webpage:
https://www.eiopa.europa.eu/occupational-pensions-stress-test-2025_en

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