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PRESS RELEASE

AAE response to EIOPA's first stress test for Pensions in Europe

Brussels, 4 February 2016:

The Actuarial Association of Europe welcomes the recent publication of the results of EIOPA's first stress test for occupational pensions in Europe.

Pensions is an activity over a very long period of time. Many assumptions are made in order to produce an expected outcome. As actuaries we promote and support presenting - in addition to the expectation - the effect of adverse scenarios. That is one of the main achievements of this first European stress test.

As expected, given the magnitude of the financial shocks specified by EIOPA, the stress test results show that if these shocks occurred there would be a significant increase in the deficit in defined benefits schemes, particularly when aggregated on the common methodology adopted by EIOPA. The approach taken to dealing with the deficits would be addressed in accordance with the regulatory framework of each member state, and could include increased contributions (from sponsors and members), extended recovery periods, revised investment strategies and benefit reductions. EIOPA do not consider that DB IORPs pose a systemic risk to the EU, although it is clear that increased contributions and/or reduced benefits would have some impact on the economy of member states where these arose.

Philip Shier, Chairperson of the AAE, said "Pensions are part of the labour relationship between employer and employees, and it is essential that both employers and employees have good information on which to agree the pension deal. A common understanding of the risks inherent in the pension scheme, and agreement as to how these should be managed, can be facilitated by appropriate stress tests. Defined benefit IORPs should undertake their own stress tests, reflecting their specific features, as part of their risk assessment (this is likely to become mandatory under the revised IORP Directive)."

Falco Valkenburg, Chairperson of the AAE Pensions Committee commented: "We agree with the way forward as proposed by EIOPA, especially to continue to work on a common market-sensitive methodology. We are happy to contribute to this process and have already made some suggestions in our paper "Clarity before Solvency". We think that it would be worthwhile not only to look at improvement of valuation methodology, but also to work on more forward looking methods."

- End of press release -

Notes for editors

1. For further information please contact Ad Kok, Chief Executive (tel. +32 2 201 60 21), aamkok@actuary.eu
2. Copies of all AAE press releases are available on the AAE website (www.actuary.eu)
3. The Actuarial Association of Europe (AAE) was established in 1978 under the name Groupe Consultatif to represent actuarial associations in Europe. Its purpose is to provide advice and opinions to the various organisations of the European Union - the Commission, the Council of Ministers, the European Parliament, the European Supervisors and their committees – on actuarial issues in European legislation. The AAE currently has 37 member associations in 35 European countries, representing over 20,000 actuaries. Advice and comments provided by the AAE on behalf of the European actuarial profession are totally independent of industry interests.

The Actuarial Association of Europe is registered in the EU Transparency Register under number 550855911144-54