



## **SPEECH**

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## **Welcome address**



EIOPA - QIS for pensions – closing event  
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Ladies and Gentlemen,

I am pleased to welcome you today at the QIS for pensions closing event.

I would like to start off by saying that the publication of the QIS final report marks a special occasion for EIOPA. It is not only the first quantitative impact study conducted by EIOPA in the field of occupational pensions. It is also the first truly European assessment that provides a comprehensive and comparable view of the financial situation of occupational pension funds.

This first quantitative impact study for pensions would not have been possible without the **contributions of many people**.

I would like to take this opportunity to, first of all, thank the representatives of pension funds that were involved in the QIS. Overall almost one hundred IORPs completed the QIS exercise or provided their input to the supervisor. I am glad that many of them are with us today.

I would also like to thank the representatives of the national supervisory authorities in the participating member states. National supervisors put a lot of effort in assisting IORPs in doing the calculations, by preparing guidance and organising stakeholder meetings, and in validating the data submissions after the exercise. In some countries the supervisor was responsible for doing the QIS calculations.

I would like to thank Brendan Kennedy, the members of the OPC and its QIS subgroup leaded by Barthold Kuipers for their work in realising the report with preliminary QIS results and the final report, which we will be discussing here today. I would also like to thank the comments and suggestions that many stakeholders have made to the QIS, in particular the important contributions provided by EIOPA's Occupational Pensions Stakeholder Group.

Like the launch event at the beginning of the QIS exercise, PensionsEurope helped us with the organisation of this closing event. For that I would like to thank Benne van

Popta, vice-chairman of PensionsEurope, and the people of the secretariat of PensionsEurope.

As I said, the study is the first of its kind in assessing the financial situation of pension funds in a **comprehensive and comparable** way. The QIS tested the various options for the holistic balance sheet approach that EIOPA proposed in its advice to the European Commission on the Review of the IORP Directive.

The aim of the holistic balance sheet approach is to capture the wide variety of occupational pension systems in the different member states in a single, European prudential regime. I would like to stress that it does not want to interfere with national social and labour law nor with the prerogative of employers or social partners to decide on the contents of pension schemes. The holistic balance sheet allows pension funds to recognise the value of all security and benefit adjustment mechanisms available to them.

EIOPA's advice also recommended that assets and liabilities need to be valued on a market-consistent basis. In my opinion, market-consistency is an objective measure that allows for a transparent and realistic assessment of the financial position of pension funds. All in all, I believe the holistic balance sheet is able to provide a comprehensive and comparable view in how far occupational pension promises are supported by financial assets, sponsor support and pension protection schemes and in how far benefit adjustments are expected to occur.

The **QIS outcomes** show that the overall impact of the holistic balance sheet approach varies widely between participating countries. In my view, two important lessons can be learned from this first QIS:

- First, the impacts range from surpluses for IORPs in some member states to large shortfalls for IORPs in other member states. This clearly shows that the minimum harmonisation approach of the current IORP Directive has resulted in large differences in the protection of members and beneficiaries across Europe.
- Second, the outcomes reveal that pension funds dispose of vulnerabilities in different places.

- In some member states pension funds are very dependent on future payments by the sponsor. It is not unusual that future sponsor support needs to cover as much as 25% of liabilities.
- In other member states, substantial benefit reductions are expected. The QIS report shows values of ex-post benefit reductions of as much as 20% and 75% of liabilities.

These two lessons lead me to conclude that it is essential that we continue working towards a European regulatory regime that is: 1) market-consistent, ensuring a comparable and realistic assessment of the financial situation of pension funds, and 2) risk-based, providing pension funds with the right incentives for managing risks.

I am convinced that a regulatory regime based on these principles will allow for a better understanding and a better informed management of occupational pension funds. As a result, it will contribute to ensuring adequate, sustainable and secure pensions, both for the present and future generations.

Having said that, I would like to share with you that I welcomed the announcement of the European Commission that **further technical work** is needed on the holistic balance sheet.

EIOPA already pointed out last year that the technical specifications require further work in a number of areas. Respondents to the public consultation on the draft technical specifications raised a number of issues that we could not satisfactorily resolve before the start of the QIS exercise. The QIS confirmed many of these issues. However, it also identified some new areas in the technical specifications that require further investigation.

Please allow me to give you a few examples of further work that EIOPA would need to conduct:

- Further work is needed on a common understanding and methodology for handling benefit adjustment mechanisms. The QIS made clear that participants interpreted the technical specifications for including benefit reductions in different ways,

depending on their national context.

- The valuation of discretionary decision-making processes. Many pension funds indicated that they had ignored future management actions of IORPs. Even though they may have had a material impact on the results.
- The way that the discount rate used to calculate technical provisions will reflect the long-term nature of pension liabilities.
- The modelling of supervisory responses, like the timing of sponsor support and recovery periods. It is clear that a specification of supervisory responses is needed to provide a full assessment of the holistic balance sheet approach.
- Simplified methodologies. Many participants indicated that the QIS calculations were very complex and extensive. I would like to stress that for me it is essential that small- and medium-sized pension funds can do the holistic balance sheet calculations in a proportionate way.

Last week, EIOPA already published a discussion paper on the valuation of sponsor support. The QIS confirmed that this cornerstone of the holistic balance sheet was an important source of practical difficulties. The discussion paper explores several directions to improve the specifications for the calculation of sponsor support. In addition, it contains a new simplified approach that aims to ensure that IORPs can do the sponsor support calculations in a proportionate manner. The consultation period will end on 31 October and I would like to invite all of you to send us your feedback.

In the coming months, EIOPA will set out a **programme of work** to improve definitions and methodologies for assessing the holistic balance sheet. The programme will be based on EIOPA's own timelines and will allow sufficient time for the input from stakeholders. My aim is to present the next Commission with further tested technical proposals for a European risk-based prudential regime that appropriately reflects the specific reality of pension funds.

Today's closing event was organised to discuss the final report of the QIS. However, I would also like to encourage you to look forward. I am very much interested in hearing your thoughts on the contents and process of the programme of further work.

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I thank you for your attention.