11 February 2013
Press release

Holistic Balance Sheet approach not workable for IORP supervision

The Holistic Balance Sheet approach is not a workable tool for IORP supervision and alternatives should be considered, PensionsEurope has warned today.

In autumn 2012 several European IORPs, supervisors and actuarial firms performed a Quantitative Impact Study (QIS) to investigate the possible impact of a revised IORP Directive on pension funds. PensionsEurope has today published its position paper on the QIS on IORPs.

Matti Leppälä, the PensionsEurope Secretary-General and CEO, said:

"The methodology of a Holistic Balance Sheet will not be workable as a supervisory tool. It is very sensitive to subjective assumptions, and the interaction between elements of the Holistic Balance Sheet and the Solvency Capital Requirements leads to inconsistency. The Holistic Balance Sheet approach could only try to address whether the financial policy of the IORP is sustainable in the long-run. Alternative approaches such as ALM studies or stress-tests, should therefore also be considered to achieve adequate regulation of IORPs across Europe.

"Even if the European Commission proceeded with the proposal of a Holistic Balance Sheet only in order to address whether the financial policy of the IORP is sustainable in the long-run, there are still some major shortcomings. PensionsEurope has strong doubts about the quality and reliability of the current valuations within the Holistic Balance Sheet. More QISs will be necessary in order to come up with an appropriate valuation of a Holistic Balance Sheet."

Joanne Segars, Chair of PensionsEurope, said:

"*The European Commission should not present a proposal for quantitative requirements based on the QIS results. This QIS does not address the most important question: how will the proposed approach be used in practice? As a result, the impact on contributions, employers, employees and the entire economy cannot be measured at this time.*

"However, we do realise the importance of appropriate pension supervision across Europe, especially with respect to minimum standards on governance, risk management and transparency. Therefore, we would advise the European Commission to present proposals for a revised IORP Directive that focus on the Pillar II (qualitative requirements) and Pillar III (disclosure) elements. These proposals should then be thoroughly tested. This QIS shows that more time is needed for Pillar I (quantitative requirements) issues."

About PensionsEurope

PensionsEurope represents national associations of pension funds and similar institutions for workplace pensions. Some members operate purely individual pension schemes.

PensionsEurope has **22 member associations** in EU Member States and other European countries with significant – in size and relevance – workplace pension systems[1].

PensionsEurope has established a **Central & Eastern European Countries Forum (CEEC Forum)** to discuss issues common to pension systems in that region.

PensionsEurope member organisations cover the workplace pensions of **about 80 million European citizens.** Through its Member Associations PensionsEurope represents approximately **€ 3.5 trillion of assets** managed for future pension payments.

PensionsEurope Members are large institutional investors representing the **buy-side** on the financial markets.

Contact:
Mr Matti LEPPÄLÄ, *Secretary General/CEO*
Koningsstraat 97, rue Royale – 1000 Brussels
Belgium
Tel: +32 (0)2 289 14 14 – Fax: +32 (0) 289 14 15
Matti.leppala@pensionseurope.eu
www.pensionseurope.eu

[1] EU Member States: Austria, Belgium, Finland, France, Germany, Hungary, Ireland, Italy, Luxembourg, Netherlands, Portugal, Romania, Spain, Sweden, UK. Non-EU Member States: Croatia, Guernsey, Iceland, Norway, Switzerland.