

## View on the Own Risk Assessment for IORPs

The Actuarial Association of Europe,

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Whereas

- 1) The IORP II Directive introduces an Own Risk Assessment for IORPs (Article 28)
- 2) Article 28.2.e states: “an assessment of the risks to members and beneficiaries relating to the paying out of their retirement benefits and the effectiveness of any remedial action taking into account, ...”

We summarise our current view on the fundamentals of an Own Risk Assessment for IORPs:

1. AAE takes Article 28 as “Back to the basics”
2. AAE believes that the basic question for the management of an IORP is “can we deliver on the pension promise and given the funding agreement that is in place?”
3. AAE would translate this basic question to “Can we always and at all times pay-out the pensions that are promised to the members and beneficiaries?”
4. AAE has identified in the light of the basic question some additional supporting questions, that need to be addressed in an Own Risk Assessment:
  - a. What threats are there, that could potentially have a lowering effect on the pay-out of pensions?
  - b. How severe can those threats be?
  - c. What actions can be taken to mitigate or prevent a risk of not able to pay-out the promised pensions in full?
  - d. What would be the effect of those actions and what would they mean for the funding?
  - e. Would those actions bring the IORP back on track after a risk has materialised and enable the IORP to pay-out all promised pensions in full?
  - f. What does the IORP need to do now in order to make those mitigating actions possible?
  - g. What does the IORP need to do in terms of decision-making, communication to stakeholders and getting the understanding and consent of the stakeholders?
5. AAE believes that a cash flow analysis could provide useful information as a basis to give answers to the questions from point 4.
6. AAE supports exploring ways that would enable to use the same tools for both the Own Risk Assessment and stress test as required by national and/or European supervisors
7. AAE believes that in addition to such a quantitative assessment, also the more qualitative risks need to be assessed. Examples of such risks are operational risk, ESG risk, ...