IORP II Risk management and a view of the road ahead

A view from the Actuarial Association of Europe

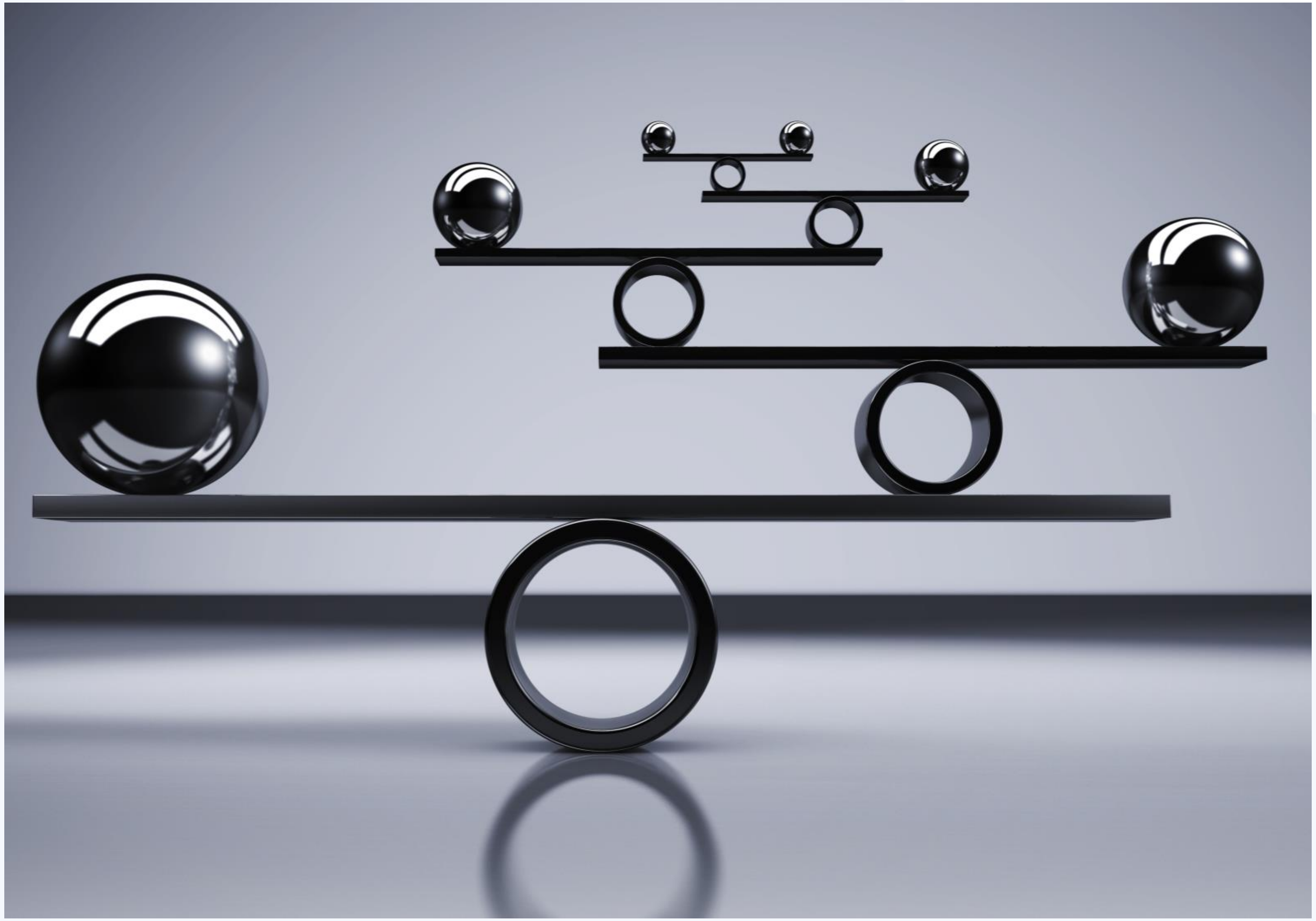
Martin Melchior

Melcon | Chair of AAE Pension Risk Mangement working group

mme@melcon.dk

The background story: An everchanging environment

- Ageing population: Pillar I → Pillar II → new business and new risk for IORPs
- Defined Benefit → Defined Contribution
- Sustainability
- Volatile market risks
- More and more regulation

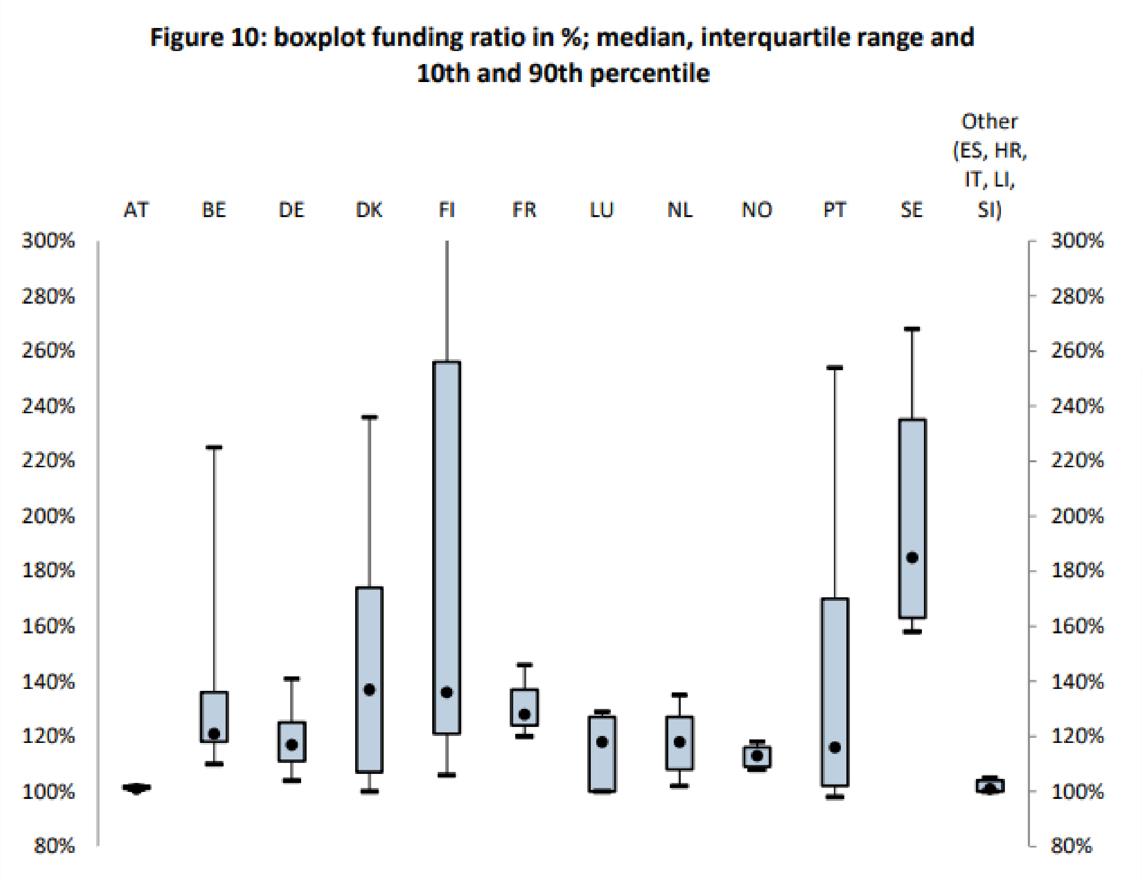


IORP II review - in the light of risk management

- ❖ Standardized risk assessments
- ❖ Duty of care:
  - Risk management of member risk (DC)
  - Outsourcing
  - Sustainability
- ❖ Special attention: Liquidity risk
- ❖ Proportionality:
  - towards risk-based approach
  - not just IORP II
- ❖ Pension benefit statement: projection calculations and stochastic scenarios

Minimum harmonization from a risk perspective

- Minimum harmonization = legacy?
- What is the consequence?
  - Differences in valuation of liabilities
  - Differences in valuation of assets
  - → funding ratios
  - → Investment strategies
- Other minimum harmonization observations
  - Small IORP exemptions
  - Funding requirements
  - Recovery plans



EIOPA quote: ”*… there are huge differences between the funding ratios reported across the EEA due to the different valuation methods that exist to calculate the liabilities.”*

Standardized Risk Assesments

SRA

- Market-consistent balance sheet
- Risk based stress-scenarios
- Market + biometric risks

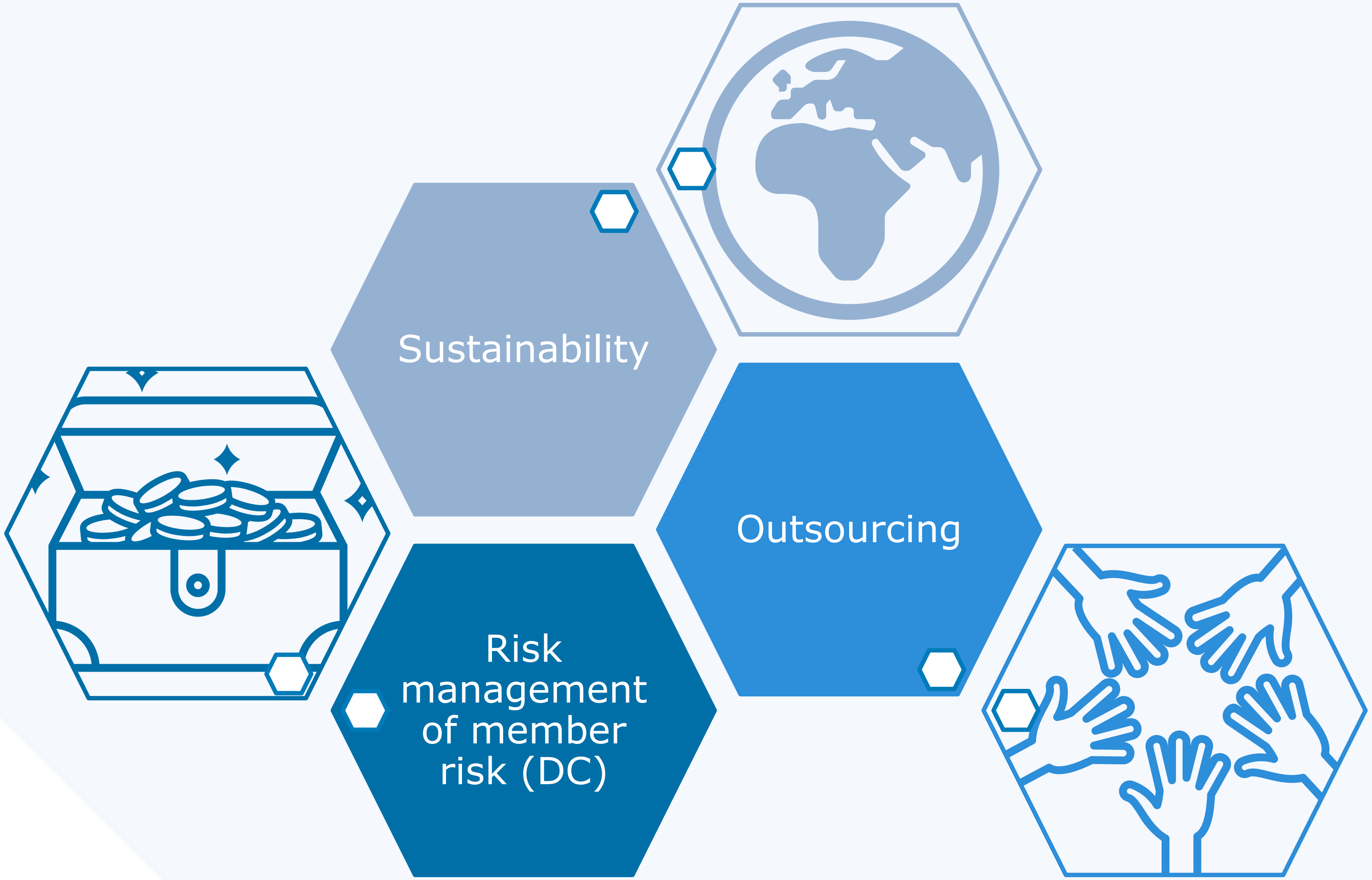
ASAP

Understand, learn, adapt

End goal

- Transparency
- Comparability
- Improve member protection

Duty of care


Sustainability
Outsourcing
Risk management of member risk (DC)

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ACTUARIAL ASSOCIATION OF EUROPE

Actuarial House
1 Place du Samedi 1000
Brussels Belgium
www.actuary.eu
Follow us on LinkedIn and twitter: @InfoAAE