

Comments Template on Consultation Paper on Further Work on Solvency of IORPs		Deadline 13 January 2015 23:59 CET
Name of Company:	GDV German Insurance Association	
Disclosure comments:	Please indicate if your comments should be treated as confidential:	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not change the numbering in the column “reference”; if you change numbering, your comment cannot be processed by our IT tool ⇒ Leave the last column <u>empty</u>. ⇒ Please fill in your comment/response in the relevant row. If you have <u>no response</u> to a question, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments/responses which do not refer to the specific numbers below. <p>Please send the completed template, in Word Format, to CP-14-040@eiopa.europa.eu . Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the questions refers to Consultation Paper on Further Work on Solvency of IORPs.</p>		
Reference	Comment	
General Comment	<p>German Insurance Association, Wilhelmstr. 43G, 10117 Berlin (ID Number 6437280268-55)</p> <p>The GDV welcomes the opportunity to comment on EIOPA’s consultation on “Further Work on Solvency for IORPs”. The GDV supports the introduction of a regime that appropriately takes into account specific risk profiles and the specific characteristics of IORPs. The most important characteristics of German IOPRs are:</p> <ul style="list-style-type: none"> - The existence of a pension protection scheme (“Pensions-Sicherungs-Verein auf Gegenseitigkeit” PSVaG), - The possibility to receive additional financial contributions from the sponsoring undertaking(s) when necessary (sponsor support). 	

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The GDV is in favour of more transparency on the risks and greater security for members and beneficiaries. Since security and benefit adjustment mechanisms have a sustained impact on the likelihood of an IORP meeting its obligations as well as of members receiving the benefits they are entitled to, they have to be taken into account and properly reflected in all three pillars of the supervisory regime. Furthermore, it is important to assess the share of risk borne by an IORP itself compared to the risk borne by the sponsoring undertakings. Finally, it is important that the prospective members, members and beneficiaries are informed about risks and characteristics of the pension scheme offered by their IORPs.

As regards the consultation paper and the six different examples of the HBS described, the GDV wishes to point out the following:

The GDV has always assumed that the HBS is designed as a basis for calculation of the capital requirements for IORPs. We do not see any obvious reason why EIOPA is now considering a possible application of the holistic balance sheet as a risk management tool. Especially if some of the risks are absorbed by security mechanisms, such as sponsor support, it is not clear how the IORP could steer its risk management according to the HBS. Moreover, the extensive new requirements resulting from this approach would lead to disproportionate burden for small and medium-sized IORPs and IORPs with many sponsors. However, an application of the HBS in pillar I as proposed in the current consultation paper does not seem to answer all the questions that have been raised and discussed in earlier studies and consultation papers.

The GDV is of the opinion that for the different types of IORPs the capital requirements should sufficiently reflect the true risk profiles. Even if the specificities of IORPs are reflected appropriately in the HBS, it might be still difficult to derive suitable capital requirements for IORPs. For example, if the balancing item approach applies, the calculation of SCR does not add additional value. Furthermore, the balance sheet seems to be more appropriate as a transparency tool that discloses the qualitative differences to members and beneficiaries depending on whether the IORP itself provides the benefits or whether it is dependent on sponsor support from the undertakings. In any case, the exact risk exposure of the IORP should be at least defined in the dialogue between the IORP, its sponsors and the competent authorities.

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	<p>The GDV welcomes the fact that the provisions take into account the principle of proportionality. In particular, the GDV welcomes in principle the introduction of a balancing item approach. Particularly for small, medium-sized IORPs and IORPs with many employers it could be a useful simplification. However, the GDV believes that a broader definition of balancing item is appropriate. Since the holistic balance sheet does not solely reflect the risks borne by IORPs but rather considers the part of pension promise implemented through the IORP from the point of view of members and beneficiaries, all parties that safeguard an IORP and its pension obligations should be considered. Therefore, the definition should not be restricted to sponsoring undertakings but also include all third parties that safeguard the pension promise, depending on their default rate and/or strength. Competent authorities should be empowered to decide upon the application of the balancing item in each case.</p> <p>The GDV fully supports the commitment by EIOPA to improve the general methodology. The GDV welcomes EIOPA's intention to undertake a second quantitative impact assessment, taking into account the feedback received from stakeholders. It is necessary to better understand and assess the consequences of the possible application of HBS and thoroughly investigate the above mentioned problems.</p>	
Q1	<p>Do stakeholders think that the word “contract” is an adequate description of the characteristics of the set of rules and arrangements governing the provision of benefits to members and beneficiaries by an IORP?</p> <p>It is important that the term “contract” only addresses the activities of the IORP related to the scheme. As regards the entire section on contract boundaries, it is important that the introduced definitions remain consistent with the definitions used for insurance undertakings.</p>	
Q2	<p>Do stakeholders think that the word “boundary” is suitable here?</p> <p>It is important that the term “contract” only addresses the activities of the IORP related to the scheme.</p>	
Q3	<p>If not, please provide an expression more suitable for IORPs which could replace the expression “contract boundaries”.</p> <p>It is important that the term “contract” only addresses the activities of the IORP related to the scheme.</p>	
Q4	<p>Do stakeholders have any general comments on the above section?</p>	

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	For some schemes contradictions may arise between the contract boundaries as defined in the consultation paper and the unilateral rights of an IORP (see Q23 for instance). This is particularly the case when the IORP undertakes the commitment to implement occupational pension provision, however the exact level of contributions of the sponsor are not specified yet and can be adjusted according to the true risk.	
Q5	<p>Do stakeholders think that unilateral rights (or obligations) of an IORP to terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk should be the basis for a definition of contract boundaries for IORPs? Are there cases where such rights (or obligations) should be the basis for a definition of contract boundaries for IORPs even though they are not unilateral rights (or obligations) of the IORP, but can be exercised unilaterally or jointly by other parties (possibly together with the IORP)?</p> <p>For some schemes contradictions may arise between the contract boundaries as defined in the consultation paper and the unilateral rights of an IORP (see Q23 for instance). This is particularly the case when the IORP undertakes the commitment to implement occupational pension provision, however the exact level of contributions of the sponsor are not specified yet and can be adjusted according to the true risk.</p>	
Q6	Do stakeholders agree with the analysis above of the different ways of liabilities of IORPs arising?	
Q7	<p>Do stakeholders think that there should be a distinction between incoming cash-flows which are considered as “regular contributions” to finance (the accrual of) benefits on the one hand and sponsor support on the other hand? What is the view of stakeholders regarding the practicality of such a distinction?</p> <p>Yes, there should be a distinction. The distinction is important since sponsor support is not meant to directly finance the (accrual of) benefits.</p>	
Q8	<p>Do stakeholders agree, that, if there was a distinction as described in question Q7, “regular contributions” should be recognised in technical provisions while sponsor support should be treated separately?</p> <p>Under the consideration of risks related to activities of IORPs related to the scheme, it makes sense to recognise “regular contributions” in technical provisions while sponsor support would be treated separately. Then, an IORP without sponsor support would recognise the same cash-flows in technical provisions as an IORP with sponsor support.</p>	

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	<p>However, the boundaries of “regular contributions” are not clear. For example, for German Pensionsfonds the payment of the employer should be not considered as a sponsor support in case of underfunding but rather as contractually agreed additional payments made by the sponsor.</p>	
Q9	<p>Do stakeholders agree that payments by the IORP to the sponsor related to a surplus of the IORP (in case such payments are allowed for in the scheme) should not be recognised in technical provisions of the IORP? If not, how/where should they be recognized/presented in the holistic balance sheet?</p> <p>If the surplus of the IORP is paid to the sponsor, then they should not be recognised in technical provisions. However, if the surplus is not paid to the sponsor, then it should not be treated as liability but as own funds.</p>	
Q10	<p>Are stakeholders aware of cases in which there would be an obligation of the IORP to pay out benefits without having received any contributions/payments to finance those benefits (e.g. because the obligation is constituted by social and labour law)? If yes, please describe.</p> <p>Such schemes do not seem to exist in Germany.</p>	
Q11	<p>Do stakeholders believe that the contract boundaries could be defined based on future benefit payments rather than contribution or premiums?</p> <p>It is important that the definition remains consistent with the definition for insurance undertakings.</p>	
Q12	<p>Do stakeholders have any general comments on the above section?</p>	
Q13	<p>Do stakeholders have any general comments on the above section?</p>	
Q14	<p>Do stakeholders think that the above definition of contract boundaries for IORPs is in line with the general idea that cash-flows should be recognised if and only if they lead to risks building up in the IORP as described in section 4.2.4 (all those cash-flows should be in technical provisions; no cash-flows where all risks could be</p>	

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	<p>avoided should be in technical provisions)?</p> <p>For some schemes contradictions may arise between the contract boundaries as defined in the consultation paper and the unilateral rights of an IORP (see Q23 for instance). This is particularly the case when the IORP undertakes the commitment to implement occupational pension provision, however the exact level of contributions of the sponsor are not specified yet and can be adjusted according to the true risk. In any case, it is important that the definition remains consistent with the definition for insurance undertakings.</p>	
Q15	<p>In case more/higher cash-flows than appropriate (compared with the general idea) are included in technical provisions according to this definition, how should the definition be amended to exclude them?</p>	
Q16	<p>In case not all cash-flows which lead to risk building up in the IORP, as explained in section 4.2.4, are included, with which wording could they be included?</p> <p>For some schemes contradictions may arise between the contract boundaries as defined in the consultation paper and the unilateral rights of an IORP (see Q23 for instance). This is particularly the case when the IORP undertakes the commitment to implement occupational pension provision, however the exact level of contributions of the sponsor are not specified yet and can be adjusted according to the true risk.</p>	
Q17	<p>Is the wording of the definition appropriate for IORPs?</p> <p>The definition may not, in all cases, be consistent with the HBS concept. Difficulties could arise, for example, if the employer bears the risks and the contributions of the sponsor could be adjusted according to the risk.</p>	
Q18	<p>Is it necessary to have both 2. a. and b. in the above definition, or could a. be restricted to cases where a termination of the agreement leads to a stop of additional contributions and/or the repayment of contributions received/payment of a surrender value (and then maybe a. and b. could be combined)?</p>	
Q19	<p>Are there additional rights of the IORP or another party (unilateral or not) which should be considered in the definition (see section 4.2.4)</p>	
Q20	<p>Is it clear from the proposed wording of the definition that in principle not only benefits (out-going cash-</p>	

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	<p>flows), but also contributions (incoming cash-flows) have to be recognized in technical provisions?</p> <p>The boundaries of “regular contributions” are not entirely clear. For example, for German Pensionsfonds the payment of the employer should be not considered as a sponsor support in case of underfunding but rather as contractually agreed additional payments made by employer. Furthermore, the definition should be consistent with the definition for insurance undertakings.</p>	
Q21	<p>Are the cases described in parts a) and b) of the definition clearly distinguishable in practice?</p>	
Q22	<p>Are the conditions mentioned above for making unilateral rights of the sponsor part of the definition of contract boundaries sufficient, or should further conditions be included? How could those rights and conditions be merged into the proposed definition of contract boundaries ?</p> <p>For some schemes contradictions may arise between the contract boundaries as defined in the consultation paper and the unilateral rights of an IORP (see Q23 for instance). This is particularly the case when the IORP undertakes the commitment to implement occupational pension provision, however the exact level of contributions of the sponsor are not specified yet and can be adjusted according to the true risk.</p>	
Q23	<p>Do stakeholders agree that the proposed adapted definition of contract boundaries for IORPs (above) leads to the results described in this section? If not, please explain.</p> <p>For some schemes contradictions may arise between the contract boundaries as defined in the consultation paper and the unilateral rights of IORPs.</p> <p>The cash-flows that should be recognised in the technical provisions in examples 2 and 5 could lead to results which are intransparent for members and beneficiaries. This is particularly the case when an IORP undertakes the commitment to implement occupational pension provision, however the exact level of contributions of the sponsor are not specified yet and can be adjusted to fully reflect the risk.</p> <p>As regards example 6, it is unclear which ex-ante benefit reduction mechanisms are taken considered in the example. This is dependent on the fact, whether members and beneficiaries lose their entitlements (e.g. if the employer remains liable for the payment of reduced benefits). If members and beneficiaries do not lose</p>	

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	<p>their entitlements, then these benefit reductions should not reduce the technical provisions.</p> <p>In any case the definition of contract boundaries should be consistent with the terminology used for insurance undertakings. Examples 1, 3, 5, 7 and 8 seem to be consistent.</p>	
Q24	<p>Do stakeholders consider the above definitions workable? If not, please explain why not and how you would suggest to improve the definition(s).</p> <p>When defining these quantities it is important that the specificities of different types of IORPs are taken into account appropriately.</p>	
Q25	<p>Do stakeholders have any general comments on the above section?</p> <p>The GDV believes that it is impossible in practice for IORPs, particularly those with many employers, to assess the discretionary decisions of the sponsors. Therefore, these should not be included in the HBS.</p>	
Q26	<p>Would it be possible, in the views of stakeholders, to properly quantify the relation between the funding position of the IORP and elements of discretionary decision-making (the pattern) in order to take the pattern into account in the valuation process? If so, how?</p> <p>The GDV believes that it is impossible in practice for IORPs, particularly those with many employers, to assess the discretionary decisions of the sponsors. Therefore, these should not be included in the HBS.</p>	
Q27	<p>Do stakeholders agree that IORPs need to produce a best estimate of expected future payments (under different scenarios), if pure discretionary benefits were to be recognised in a holistic balance sheet? If not, what alternative would you suggest?</p> <p>The GDV believes that it is impossible in practice for IORPs, particularly those with many employers, to assess the discretionary decisions of the sponsors. Therefore, these should not be included in the HBS.</p>	
Q28	<p>Do stakeholders agree that IORPs need to produce a best estimate of expected future payments (under different scenarios), if mixed benefits were to be recognised in a holistic balance sheet? If not, what alternative would you suggest?</p> <p>Benefits that are comparable to future discretionary bonuses for life insurance undertakings should be</p>	

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	treated in a similar way.	
Q29	Do stakeholders agree that IORPs need to produce a best estimate of expected future sponsor payments (under different scenarios), if non-legally enforceable sponsor support was to be included on the holistic balance sheet? If not, what alternative would you suggest?	
Q30	Do stakeholders agree that these are the two options for valuing off-balance capital instruments? If not, what alternative options would you suggest?	
Q31	Which option do you support? Please explain why you support this option.	
Q32	Do stakeholders agree that surplus funds should be valued for their nominal value? If not, how would you suggest to value surplus funds?	
Q33	Do stakeholders agree that these are the three options for valuing subordinated loans? If not, what alternative options would you suggest?	
Q34	Which option do you support? Please explain why you support this option.	
Q35	<p>Do stakeholders agree with these two approaches to valuing benefit reduction mechanisms? If not, what alternatives or amendments would you suggest?</p> <p>It is unclear which ex-ante benefit reduction mechanisms are taken into account. The assessment of benefit reduction mechanisms is dependent on the fact, whether members and beneficiaries lose their entitlements (e.g. if the employer remains liable for the payment of reduced benefits). If members and beneficiaries do not lose their entitlements, then these benefit reductions should not reduce the technical provisions. If the sponsoring undertaking bears the risk and, therefore, guarantees the benefits to members and beneficiaries if an IORP has reduced the benefits, then this adjustment mechanism should be treated as an asset in the HBS. Finally, as correctly stated by EIOPA, the holistic balance sheet can be balanced only “once”, and in case</p>	

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	<p>there are different mechanisms available which may in principle act as a balancing item, only the ultimate balancing item can be valued using the balancing item approach. All other elements would then have to be valued in accordance with regular valuation methods.</p>	
Q36	<p>Do stakeholders agree that at the EU level, there should only be a principle based approach to valuing sponsor support with the specifics being left to member states/supervisors and/or IORPs?</p> <p>The GDV agrees that there should only be a principle based approach to valuing sponsor support with the specifics being left to Member States and competent authorities.</p>	
Q37	<p>Do stakeholders agree with the overarching principle that the valuation of sponsor support should be market consistent? If not, what principle(s) would you suggest?</p> <p>The GDV welcomes a regime that appropriately takes into account the risks related to the activities of IORPs and recognises the specific characteristics of IORPs. Therefore, the GDV agrees that the valuation of sponsor support should be market consistent.</p>	
Q38	<p>Do stakeholders agree that in order to achieve this market consistent valuation, the expected cash flows required by the IORP should be valued allowing for affordability and credit risk of the sponsor? If not, what approach(es) would you suggest?</p> <p>The GDV agrees that in order to achieve this market consistent valuation, the expected cash flows required by the IORP should be valued allowing for affordability and credit risk of the sponsor.</p>	
Q39	<p>What is the general view of stakeholders with regard to sponsor support as a balancing item?</p> <p>In general, the balancing item approach is a useful simplification. The GDV believes that a broader definition of balancing item is appropriate. Since the holistic balance sheet does not solely reflect the risks borne by IORPs but rather considers the part of pension promise implemented through the IORP from the point of view of members and beneficiaries, all parties that safeguard the pension obligations should be considered. Therefore, the definition should not be restricted to sponsoring undertakings but also include all third parties that safeguard the pension promise, depending on their default rate and/or strength. Competent authorities should be empowered to decide upon the application of the balancing item in each case.</p>	

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	<p>In any case, the question arises, whether it makes sense to calculate the capital requirements according to the HBS if the balancing item approach applies. Moreover, the calculation of SCR does not add additional value in this case: such a balance sheet seems to be more appropriate as a transparency tool for sponsors, members and beneficiaries. The exact risk exposure of the IORP should be at least defined in the dialogue between the IORP, its sponsors and the competent authorities.</p>	
Q40	<p>Which conditions should apply for sponsor support to be treated as a balancing item?</p> <p>The two conditions depending on the default rate and the strength seem to be appropriate. However, the GDV believes that a broader definition of balancing item is appropriate. Since the holistic balance sheet does not solely reflect the risks borne by IORPs but rather considers the part of pension promise implemented through the IORP from the point of view of members and beneficiaries, all parties that safeguard the pension obligations should be considered. Therefore, the definition should not be restricted to sponsoring undertakings but also include all third parties that safeguard the pension promise, depending on their default rate and/or strength. Competent authorities should be empowered to decide upon the application of the balancing item in each case.</p>	
Q41	<p>Are there other cases beyond the cases mentioned above in which sponsor support could be treated as a balancing item?</p> <p>The GDV believes that a broader definition of balancing item is appropriate. Since the holistic balance sheet does not solely reflect the risks borne by IORPs but rather considers the part of pension promise implemented through the IORP from the point of view of members and beneficiaries, all parties that safeguard the pension obligations should be considered. Therefore, the definition should not be restricted to sponsoring undertakings but also include all third parties that safeguard the pension promise, depending on their default rate and/or strength. Competent authorities should be empowered to decide upon the application of the balancing item in each case.</p>	
Q42	<p>Do stakeholders have a view as to what value of M would be appropriate?</p>	
Q43	<p>Do stakeholders think a pension protection scheme could in principle be considered as impacting on sponsor support to allow it to be a balancing item if it is considered financially strong and based on a sufficiently permanent and certain legal arrangement?</p>	

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	<p>The GDV believes that a pension protection scheme could in principle be considered as impacting on sponsor support to allow it to be a balancing item if it is considered financially strong and based on a sufficiently permanent and certain legal arrangement.</p>	
Q44	<p>Should considering a pension protection scheme as a balancing item be restricted to cases where a pension protection scheme protects 100% of benefits or is it appropriate to allow for the reduction in benefits in case of sponsor default where there is a pension protection scheme in place?</p> <p>The pension protection schemes should only balance the part of the contributions that they cover. Finally, it is important that the principle of proportionality applies and the calculation methods are simplified where possible. This is for example the case when the PPS covers almost 100 % of benefits. In this case, it should be nevertheless offset the balance sheet.</p>	
Q45	<p>Do stakeholders believe that it is appropriate that where a pension protection scheme is used as the balancing item, a separate minimum level of funding with financial assets and/or sponsor support should be required?</p> <p>Yes, see the concerns raised in Q39. It could be appropriate that the criterion for the liabilities to be covered with financial assets of IORPs without taking into account the sponsor support is considered as a minimum level of funding.</p>	
Q46	<p>Do stakeholders agree that technical specifications should allow for a principles-based, IORP specific valuation of sponsor support? Please explain.</p> <p>A principle-based approach is necessary, since a stochastic evaluation would lead to a high level of complexity.</p>	
Q47	<p>In what areas of valuation of sponsor support would it be most useful for EIOPA to specify guidance? Please explain and describe the possible contents of such guidance.</p>	
Q48	<p>Are there any other issues in relation to stochastic models, which you believe should be covered?</p>	

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Q49	<p>Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</p> <p>This approach seems to be a suitable simplified method for determining sponsor support, provided that the necessary input data are available and the underlying assumptions are adequate.</p>	
Q50	<p>As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what more should EIOPA do to encourage use of this approach where appropriate?</p>	
Q51	<p>Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</p> <p>This approach seems to be a suitable simplified method for determining sponsor support, provided that the necessary input data are available and the underlying assumptions are adequate.</p>	
Q52	<p>As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what more should EIOPA do to encourage use of this approach, where appropriate?</p>	
Q53	<p>Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</p> <p>The suggested approach seems to be suitable for determining sponsor support provided that the necessary input data are available and the underlying assumptions are adequate. (for example no cash-flows from IORP to sponsor)</p>	
Q54	<p>Should EIOPA produce spreadsheets to enable IORPs to use this simplification?</p> <p>Yes.</p>	
Q55	<p>Do stakeholders believe that this approach is a suitable method for determining sponsor support? In what circumstances is it appropriate? In what circumstances is it not appropriate?</p> <p>The suggested approach seems to be suitable for determining sponsor support in case the necessary input</p>	

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	data are available and the underlying assumptions are adequate.	
Q56	<p>Do the proposed adaptations to this option overcome the criticisms? Should EIOPA produce spreadsheets to enable IORPs to use this simplification?</p> <p>The further simplifications of the approach bring partial improvements. EIOPA's spreadsheets could be useful in order to enable IORPs to use this simplification.</p>	
Q57	<p>Do stakeholders agree that a simplified one-size-fits-all approach for the calculation of maximum sponsor support is not possible and so the best approach is the proposed principles-based approach for including sponsor affordability? If not, please explain.</p> <p>Yes.</p>	
Q58	<p>In respect of a further quantitative impact assessment, would stakeholders like EIOPA to define the parameters to use for maximum sponsor support? If yes, how could EIOPA improve the approach set out in the previous QIS?</p>	
Q59	<p>Do stakeholders think that other options should be considered to determine a value to be used to assess overall sponsor affordability?</p>	
Q60	<p>Do stakeholders believe that the approaches presented cover the full range of possibilities to estimate sponsor default probabilities? If not, what specific alternative approaches would stakeholders suggest?</p> <p>An alternative approach would be the use of statistics, clustering, sector-specific data or any other standardised default data instead of individual default probabilities, so that there is no need for isolated assessment of each employer.</p>	
Q61	<p>What in stakeholders views is the appropriate time period on which to consider possible payments from sponsors for the calculation of sponsor support? Please explain.</p> <p>The liability duration could be an adequate approximation due to long term nature of liabilities.</p>	
Q62	<p>Please provide your views on this suggested approach.</p>	

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	<p>This approach sounds good in theory. However, in reality it is impossible to implement for sponsors with many IORPs.</p>	
Q63	<p>Are there any other suggestions on how to deal with single sponsors with multiple IORPs?</p> <p>Since the suggested approach is not feasible for some IOPRs, it is important that the balancing item approach applies in all appropriate cases.</p>	
Q64	<p>Please provide your views on this suggested approach.</p> <p>For proportionality and simplification reasons it seems to be an appropriate proposal to consider only a sample of sponsors that cover a large proportion, if this is possible / if the conditions are met. However, this approach is not feasible for IORPs with many sponsors.</p>	
Q65	<p>Are there any other suggestions on how to deal with multiple employer IORPs?</p> <p>Another simplification would be to use a pre-determined value: the use of statistics, clustering, sector-specific data or any other standardised default data could be used instead of individual default probabilities, so that there is no need for isolated assessment of each employer.</p> <p>Since the suggested approach is not feasible for some IOPRs, it is important that the balancing item approach applies in all appropriate cases.</p>	
Q66	<p>Please provide your views on this suggested approach.</p> <p>The GDV believes that a broader definition of balancing item is appropriate. Since the holistic balance sheet does not solely reflect the risks borne by IORPs but rather considers the part of pension promise implemented through the IORP from the point of view of members and beneficiaries, all parties that safeguard the pension obligations should be considered. Therefore, the definition should not be restricted to sponsoring undertakings but also include all third parties that safeguard the pension promise, depending on their default rate and/or strength. Competent authorities should be empowered to decide upon the application of the balancing item in each case.</p>	

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Q67	Please provide your views on this suggested approach.	
Q68	Are there any other suggestions on how to deal with not-for-profit entities?	
Q69	Do stakeholders agree with the above comments on the options to value pension protection schemes? If not, please explain. The comments on the opinions to value pension protection schemes seem to be appropriate.	
Q70	Which of the options to value pension protection schemes do stakeholders prefer? For simplification reasons, the GDV prefers the option to value the PPS as impacting on the value of sponsor support by reducing sponsor default probabilities to zero.	
Q71	Do stakeholders think a pension protection scheme could in principle be considered a balancing item on the holistic balance sheet, if considered as a separate asset on the holistic balance sheet? The GDV agrees that a pension protection scheme could in principle be considered a balancing item on the holistic balance sheet, if considered as a separate asset on the holistic balance sheet.	
Q72	If it was decided to establish EU capital/funding requirements as part of pillar 1, would there in the stakeholders' view be a role for the holistic balance sheet? Please explain why and, if yes, what that role should be. EIOPA's work on the holistic balance sheet is an interesting starting point to investigate the risks borne by IORPs and sponsors in order to enhance the protection of members and beneficiaries. It is of utmost importance that the specificities of IORPs are taken into account appropriately and different pension schemes are treated consistently. The GDV always assumed that the HBS is designed as a basis for calculation of the capital requirements for IORPs. An application of it as a risk management tool does not seem to be appropriate. However, it needs to be analysed thoroughly whether and how the HBS reflects the risks of different types of	

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	<p>IORPs and sponsors. Therefore, a quantitative impact study is necessary to thoroughly assess the impact of HBS on different IORPs.</p>	
Q73	<p>Do stakeholders believe that the holistic balance sheet should be used as a risk management tool as part of pillar 2 requirements? Please explain.</p> <p>The GDV always assumed that the HBS is designed as a basis for calculation of the capital requirements for IORPs. There seem to be no obvious reasons why the HBS is also considered as a pure risk management tool: it is unclear how the IORP could steer its risk management according to the HBS, particularly in cases where the employers bear some of the risks. In addition, the current proposal for the IORP II Directive already contains extensive risk management provisions. The burden for small and medium-sized IORPs would be disproportionate.</p>	
Q74	<p>Do stakeholders agree that the outcomes of a pillar 2 assessment should be publicly disclosed as part of pillar 3 requirements?</p> <p>If the holistic balance sheet is used as part of pillar 1, then the approach taken for pillars 2 and 3 should correspond to the provisions in the currently revised IORP Directive and the well-established rules in other sectors.</p>	
Q75	<p>Do stakeholders agree that competent authorities should be empowered to take supervisory action based on the pillar 2 assessment of the holistic balance sheet? Please explain and, if yes, what action?</p> <p>If the holistic balance sheet is used as part of pillar 1, then the approach taken for pillars 2 and 3 should correspond to the provisions in the currently revised IORP Directive and the well-established rules in other sectors. Moreover, the risk evaluation should not increase the capital requirements imposed on IORPs.</p>	
Q76	<p>Which of the two options for recognising non-legally enforceable sponsor support do stakeholders support? Please explain why you support this option.</p>	
Q77	<p>Which of the two options for recognising pension protection schemes do stakeholders support? Please explain why you support this option.</p> <p>The pension protection schemes should be taken into account since they contribute to the security of the</p>	

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	<p>pension promise in a reliable and effective way. Pension protection schemes should be placed in context with the sponsor support since they guarantee the pension promise in case of the default of a sponsor.</p>	
Q78	<p>Do stakeholders agree that pure discretionary benefits should not be included on an IORP's pillar 1 balance sheet, as these do not represent a part of the benefit promise that needs to be protected by quantitative requirements? If not, what alternative options would you suggest?</p> <p>Pure discretionary benefits should not be considered, as these do not represent a part of the benefit promise.</p>	
Q79	<p>Which of the three options for recognising mixed benefits do stakeholders support? Please explain why you support this option.</p> <p>The GDV supports option 3. The national specificities should be taken into account in order to decide on the discretionary power of mixed benefits.</p>	
Q80	<p>Which of the three options for recognising benefit reduction mechanisms do stakeholders support? Please explain why you support this option.</p> <p>The GDV prefers option 1. Ex post benefit reduction mechanisms should not be taken into account as these represent the ultimo ratio for IORPs, i. e. last rescue possibility.</p>	
Q81	<p>Are there any additional options that stakeholders believe should be considered?</p>	
Q82	<p>Do stakeholders agree that off-balance capital instruments should always be eligible to cover the SCR? If not, what alternative options would you suggest?</p> <p>Off-balance capital instruments should be eligible to cover the SCR in line with well-established rules in other sectors.</p>	
Q83	<p>Do stakeholders agree that surplus funds should always be recognised on an IORP's balance sheet and could always be used to cover capital requirements? If not, how would you suggest to treat surplus funds in this respect?</p>	

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	<p>The GDV agrees that surplus funds should always be recognised on an IORP's balance sheet and could always be used to cover capital requirements in line with well-established rules in other sectors.</p>	
Q84	<p>Do stakeholders agree that subordinated loans should always be recognised on an IORP's balance sheet and could, bar possible future decisions to introduce restrictions, be used to cover capital requirements? If not, how would you suggest to treat subordinated loans in this respect?</p> <p>Subordinated loans should be recognised on an IORP's balance sheet and could, bar possible future decisions to introduce restrictions, be used to cover capital requirements, if it is in line with well-established rules in other sectors.</p>	
Q85	<p>In the stakeholders' view should the minimum requirement for the level of liabilities to be covered with financial assets be based on the Level A technical provisions or the Level B best estimate of technical provisions? Please explain.</p> <p>The calculation of Level A technical provisions to be covered with financial assets (without sponsor support and pension protection schemes) is too cautious and would lead to capital requirements which are too high. The minimum requirements based on Level B best estimate of technical provisions could be appropriate if the specificities of IORPs such as sponsor support, benefit reduction mechanisms and pension protection schemes are not taken into account to cover for the Level B of the technical provisions.</p>	
Q86	<p>If the Level B best estimate were to be used, in the stakeholders' view should it apply to all IORPs or should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? Please explain.</p> <p>It is important that consistent approach is taken for different types of IORPs and possible arbitrage is reduced. Moreover, an advantage of a unifying approach is that it would result in a simple regime for all IORPs.</p>	
Q87	<p>In the stakeholders' view should the level of technical provisions that needs to be covered with assets (incl. security mechanisms), and that potentially serves as a basis for the SCR, be based on Level A technical provisions or on the Level B best estimate of technical provisions? Please explain.</p> <p>Even if the specificities of IORPs are reflected appropriately in the HBS, it might be still difficult to derive</p>	

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	<p>suitable capital requirements for IORPs. For example, if the balancing item approach applies, the calculation of SCR does not add additional value and the balance sheet seems to be more appropriate as a transparency tool for sponsors, members and beneficiaries. The exact risk exposure of the IORP should be at least defined in the dialogue between the IORP, its sponsors and the competent authorities.</p> <p>Finally, a quantitative impact assessment is needed to study the consequences for different types of IORPs.</p>	
Q88	<p>If the Level B best estimate were to be used, in the stakeholders' view should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? Please explain.</p> <p>It is important that consistent approach is taken for different types of IORPs and possible arbitrage is reduced. Moreover, an advantage of a unifying approach is that it would result in a simple regime for all IORPs.</p>	
Q89	<p>Do stakeholders believe it would be a sensible approach for member states to specify additional requirements regarding the funding with (financial) assets through national social and labour law, instead of through national prudential regimes? Please explain.</p> <p>The funding requirements should only be imposed through national prudential law and not the social and labour law. Since the quantitative requirements are not harmonised, the cross border IORPs should be fully funded at all times to ensure a high level protection of members and beneficiaries and prevent regulatory arbitrage.</p>	
Q90	<p>Do stakeholders believe that there is scope for harmonising the recovery period regarding the level of technical provisions to be covered with financial assets on the EU level? Please explain.</p> <p>Due to the differences in pension schemes across Member States the design of recovery plans should be determined by the competent authorities. However, public transparency is necessary in order to avoid possible arbitrage.</p>	
Q91	<p>Do stakeholders think that the recovery period regarding the level of technical provisions to be covered with financial assets should be short or cover an extensive period of time? Please explain.</p>	

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	Due to the differences in pension schemes across Member States the design of recovery plans should be determined by the competent authorities. However, public transparency is necessary in order to avoid possible arbitrage.	
Q92	<p>In the stakeholders' view how long should the more extensive recovery period be and should it be restricted to IORPs which dispose of certain security and adjustment mechanisms and/or be subject to prior approval of the national supervisor? Please explain.</p> <p>Due to the differences in pension schemes across Member States the design of recovery plans should be determined by the competent authorities. However, public transparency is necessary in order to avoid possible arbitrage.</p>	
Q93	<p>Do stakeholders believe that there is scope for harmonising the recovery period for meeting the SCR on the EU level? Please explain.</p> <p>Due to the differences in pension schemes across Member States the design of recovery plans should be determined by the competent authorities. However, public transparency is necessary in order to avoid possible arbitrage.</p>	
Q94	<p>In the view of stakeholders should the recovery period in the event of non-compliance with the SCR be short or cover a more extensive period of time? Please explain.</p> <p>Due to the differences in pension schemes across Member States the design of recovery plans should be determined by the competent authorities. However, due to the long term nature of IOPRs' liabilities a recovery period for the compliance with the SCR should be longer than one year.</p>	
Q95	<p>In the view of stakeholders how long should the more extensive recovery period be and should it be restricted to IORPs which dispose of certain security and adjustment mechanisms and/or be subject to prior approval of the national supervisor? Please explain.</p> <p>Due to the differences in pension schemes across Member States the design of recovery plans should be determined by the competent authorities. However, due to the long term nature of IOPRs' liabilities a recovery period for the compliance with the SCR should be longer than one year.</p>	

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Q96	<p>Do stakeholders agree that IORPs should be required to submit a recovery plan if capital/funding requirements are not met or should more specific supervisory responses be specified on the EU level? Please explain.</p> <p>The GDV agrees that IORPs should be required to submit a recovery plan in agreement with the competent authorities.</p>	
Q97	<p>What is the view of stakeholders on the potential impact of a possible future European prudential framework for IORPs on existing contractual agreement and national social and labour law?</p> <p>The prudential framework should not impose consequences on the national social and labour law. It is important that the specificities of IORPs across member states are taken into account appropriately and prudential requirements are compatible with the national law.</p>	
Q98	<p>In the stakeholders' view is there scope for transitional measures in order to mitigate the potential impact of a possible EU prudential regime on existing contractual agreements and national social and labour law?</p> <p>Transitional measures are needed and appropriate in order to assess the consequences and to adjust the national prudential regulation to the new prudential regime.</p>	
Q99	<p>Do stakeholders have any general comments on (the description of) example 1?</p> <p>Example 1 does not appropriately take into account the economically relevant specificities of IORPs such as sponsor support, pension protection schemes and benefit adjustment mechanisms. Therefore, it does not reflect activities of IORPs related to the scheme appropriately.</p>	
Q100	<p>Could example 1, in the view of stakeholders, be used for all IORPs in the EU?</p> <p>Example 1 should not be used for IORPs in the EU. It does not appropriately take into account the economically relevant specificities of IORPs such as sponsor support, pension protection schemes and benefit adjustment mechanisms. Therefore, it does not reflect activities of IORPs related to the scheme appropriately.</p>	
Q101	<p>Do stakeholders have any general comments on (the description of) example 2?</p>	

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	It is questionable whether it is appropriate to evaluate the SCR with respect to Level B technical provisions. Furthermore, example 2 does not or not appropriately take into account the relevant specificities of IORPs such as sponsor support, pension protection schemes or benefit adjustment mechanisms.	
Q102	<p>Could example 2, in the view of stakeholders, be used for all IORPs in the EU?</p> <p>For above mentioned reasons (see Q101), example 2 does not seem to be suitable for IORPs.</p>	
Q103	<p>Do stakeholders have any general comments on (the description of) example 3?</p> <p>It is positive that example 3 takes into account all the relevant specificities of IORPs.</p>	
Q104	<p>Could example 3, in the view of stakeholders, be used for all IORPs in the EU, taking into account national specificities?</p> <p>EIOPA's work on the holistic balance sheet is an interesting starting point to investigate the risks borne by IORPs and sponsors in order to enhance the protection of members and beneficiaries. It is of utmost importance that the specificities of IORPs are taking into account appropriately and different pension schemes are treated consistently.</p> <p>The GDV always assumed that the HBS is designed as a basis for calculation of the capital requirements for IORPs. An application of it as a risk management tool does not seem to be appropriate, since it is not clear how the IORP should steer its risks according to the HBS if the employer bears some of the risks.</p> <p>As regards example 3, the question arises, how the HBS assesses the actual capital demand of different types of IORPs, especially if the balancing item approach applies. In particular, if the balancing item approach is used, then the calculation of SCR does not add additional value. The exact risk exposure of the IORP should be at least defined in the dialogue between the IORP, its sponsors and the competent authorities.</p> <p>Finally, it is important that a consistent approach is taken for different types of IORPs which is not burdensome for small and medium-sized IORPs and IORPs with many employers.</p>	
Q105	<p>Do stakeholders have any general comments on (the description of) example 4?</p> <p>It is positive that example 3 takes into account all the relevant specificities of IORPs.</p>	

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<p>Q106</p>	<p>Could example 4, in the view of stakeholders, be used for all IORPs in the EU?</p> <p>EIOPA’s work on the holistic balance sheet is an interesting starting point to investigate the risks borne by IORPs and sponsors in order to enhance the protection of members and beneficiaries. It is of utmost importance that the specificities of IORPs are taking into account appropriately and different pension schemes are treated consistently.</p> <p>It needs to be analysed thoroughly whether and how the HBS reflects the risks of different types of IORPs and sponsors. As regards example 4, the question arises, how the HBS assesses the actual capital demand and the true risk exposure of different types of IORPs, especially if the balancing item approach applies. The exact risk exposure of the IORP should be at least defined in the dialogue between the IORP, its sponsors and the competent authorities.</p> <p>Finally, it is important that a consistent approach is taken for different types of IORPs which is not burdensome for small and medium-sized IORPs and IORPs with many employers.</p>	
<p>Q107</p>	<p>Do stakeholders have any general comments on (the description of) example 5?</p> <p>Example 5 does not fully take into account relevant specificities of IORPs such as protection and benefit adjustment mechanisms.</p>	
<p>Q108</p>	<p>Could example 5, in the view of stakeholders, be used for all IORPs in the EU?</p> <p>For above mentioned reasons (see Q 107), example 5 does not seem to be suitable for IORPs.</p>	
<p>Q109</p>	<p>Do stakeholders have any general comments on (the description of) example 6?</p> <p>The GDV always assumed that the HBS is designed as a basis for calculation of the capital requirements for IORPs. There seem to be no obvious reasons why the HBS is also considered as a pure risk management tool: In cases where some risks are absorbed by security mechanisms, it is unclear how the IORP could steer its risk management according to the HBS. Moreover, the extensive new requirements resulting from this approach would lead to disproportionate burden for small and medium-sized IORPs and IORPs with many sponsors.</p>	

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Q110	<p>Could example 6, in the view of stakeholders, be used for all IORPs in the EU?</p> <p>For above mentioned reasons (see Q 109), example 6 does not seem to be suitable for IORPs.</p>	
Q111	<p>Do stakeholders agree that there is scope for simplifications with regard to drawing up the holistic balance sheet? Which simplifications would you consider most important and in which situations?</p> <p>It is of utmost importance that further simplifications are introduced for the valuation of the specificities of IORPs such as sponsor support and pension protection schemes. These should be feasible for small and medium-sized IORPs and IORPs with many sponsors.</p>	