

**Comments Template on EIOPA-CP-11/006
Response to Call for Advice on the review of Directive 2003/41/EC: second consultation**

**Deadline
02.01.2012
18:00 CET**

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|---|--|--------|
| Company name: | RWE Pensionsfonds AG | |
| Disclosure of comments: | EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential. <i>Please indicate if your comments on this CP should be treated as confidential, by deleting the word Public in the column to the left and by inserting the word Confidential.</i> | Public |
| <p>The question numbers below correspond to Consultation Paper No. 06 (EIOPA-CP-11/006).</p> <p>Please follow the instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ <u>Do not change the numbering</u> in column "Question". ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a question, keep the row <u>empty</u>. ⇒ There are 96 questions for respondents. Please restrict responses in the row "General comment" only to material which is not covered by these 96 questions. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific question numbers below. <ul style="list-style-type: none"> ○ If your comment refers to multiple questions, please insert your comment at the first relevant question and mention in your comment to which other questions this also applies. ○ If your comment refers to parts of a question, please indicate this in the comment itself. <p>Please send the completed template to CP-006@eiopa.europa.eu, in MSWord Format, (our IT tool does not allow processing of any other formats).</p> | | |
| Question | Comment | |
| General comment | | |
| 1. | | |

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| 2. | | |
| 3. | RWE prefers Option 1 | |
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| 12. | <p>RWE considers the holistic balance sheet approach as a wrong regulatory approach.</p> <p>Pensions are a kind of deferred wage, which is only attractive if this form of payment is cheap (for employees and employers). Any approach to request substantial additional capital to provide such deferred payments will lead to an end of company pensions and might be replaced by higher cash salaries ("discounted"). This development does not serve the social aspects of pensions.</p> <p>The distinction between IORPs and sponsor-backed IORPs is of utmost importance. Sponsor-backed IORPs only provide a social service as a cheap administrator for deferred payments (=pensions). This is neither a product nor something that needs a level playing field. It is well appreciated if other financial institutions offer a product in such an area, but it makes no sense to artificially increase the cost-base of Sponsor-backed IORPs to the level of other IORPs.</p> | |
| 13. | | |
| 14. | <p>RWE agrees with Option 1: Leave the IORP unchanged with regards to the starting principle for technical provisions. No amendments necessary.</p> <p>As a transfer value always includes additional risk premia which might never be of importance for an</p> | |

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| | "on-going" IORP, RWE agrees that the valuation should assume a transfer of liabilities does not take place. | |
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| 21. | <p>Neither option presented by EIOPA is adequate. The use of a market-consistent risk-free interest rate leads to volatile funding ratios as normally a diversified investment will not be invested in one single "risk-free" investment. Also it will be very difficult to define a "risk-free" rate considering European harmonisation, as a harmonised "risk-free" rate should not be based on a single nation's yield curve.</p> <p>Calculating two different technical provisions only increases the workload and cost of an IORP. ALM works best if the discount rate makes allowance for the specific investment policy. Therefore it should still be possible to calculate technical provisions with an interest rate which is derived from expected returns.</p> | |
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| 38. | RWE believes that Solvency II-rules for calculating the SCR to IORPs are a mistake. First, this quantitative approach to risk suggests a perfect calculation for any situation which is normally a wrong assumption; second, the resulting capital need will likely lead to an end of company pensions. This would be a perfect harmonisation but a very bad result for all employees in Europe. | |
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