

**Comments Template on  
Consultation Paper on Further Work on Solvency of IORPs**

**Deadline  
13 January 2015  
23:59 CET**

Name of Company:	IFoA	
Disclosure of 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"> <li>⇒ Do <b>not</b> change the numbering in the column "reference"; <b>if you change numbering, your comment cannot be processed by our IT tool</b></li> <li>⇒ Leave the last column <u>empty</u>.</li> <li>⇒ 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>.</li> <li>⇒ Our IT tool does not allow processing of comments/responses which do not refer to the specific numbers below.</li> </ul> <p><b>Please send the completed template, in Word Format, to <a href="mailto:CP-14-040@eiopa.europa.eu">CP-14-040@eiopa.europa.eu</a> . Our IT tool does not allow processing of any other formats.</b></p> <p>The numbering of the questions refers to <b>Consultation Paper on Further Work on Solvency of IORPs</b>.</p>		
<b>Reference</b>	<b>Comment</b>	
General Comment	<p>The Institute and Faculty of Actuaries ("IFoA") welcomes the opportunity to comment on EIOPA's "Further Work on Solvency of IORPs".</p> <p>We welcome the discussion of possible supervisory approaches in the consultation document. In our previous responses to earlier EIOPA consultations, we have emphasised the value of ensuring that each component of the Holistic Balance Sheet (HBS) is calculated based on its purpose. We believe that the critical nature of the supervisory responses to the HBS should be a determining factor in the calculation of that component and we are encouraged by EIOPA's treatment of them.</p>	

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However, we would suggest that uncertainty remains as to whether the HBS will form a common basis for all Member States (MS) in determining the capital requirement for retirement benefits, or, if it is intended to be a risk management tool that each MS should adopt in the way most suitable to its own circumstances. The parameters of each model will be determined by their intended purpose (of which the two outlined above are significantly different). We would welcome confirmation of the intended purpose of EIOPA in its response to this consultation

The IFoA has a number of concerns about the approaches to sponsor support valuations discussed in the consultation document. Our primary concern is that, contrary to the “level playing field” objective, the effect of these approaches on the sponsors of UK IORPs could be more onerous than the Solvency II capital requirements for the same expected cashflows, when underwritten by an insurance company. We would urge EIOPA to conduct some case studies to examine this issue more fully.

More generally, we have a concern that EIOPA’s analysis takes too little account of the difference between insurance contracts, where the interests of the contracting parties are relatively easily identified; and retirement benefit arrangements, where the interests and interaction of the social partners are arguably more complex. Moreover, the legal framework for IORPs varies significantly between MS, so it will be difficult to find definitions that work across the EU. Even where such definitions could be possible, the necessary complexity would require substantial legal input to implement them. This is likely to have profound implications for the cost-effectiveness of the proposals and may risk stifling innovation. As a consequence of this variation in legal frameworks – largely as a result of labour and social law – we would argue that there is strong case for ensuring that solvency requirements, in particular, should be delegated to MS as far as possible.

We would also encourage EIOPA to investigate the stability of the proposed stochastic models (and the simplifications that flow from them) to small changes in their structures and to small changes to the data used to calibrate them. The basis for our suggestion is that a powerful and flexible model, that captures all the nuances of sponsor support, may not be sufficiently stable for its intended purpose. There would be a number of challenges

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	<p>to calibrating such models reliably; for example, in terms of the tails of the distributions that are of most interest for this purpose and the subsequent implications for the volume of data required.</p> <p>The IFoA would encourage EIOPA to further develop the Level B measure. We welcome the fact that EIOPA recognises the need for further quantitative impact assessments and we hope that this omission would be addressed in the next QIS. The IFoA would welcome the opportunity to work closely with EIOPA on the specification of such a QIS.</p>	
Q1	<p>In the context of UK IORPs, the use of the word “contract” would create scope for ambiguity and confusion. “Contract” refers to an insurance contract between an insurance undertaking and a policy holder (4.17). A UK IORP does not necessarily fall within that definition: the difficulty is that, in many cases, the UK retirement benefits are defined in a trust document rather than in a contract. In such instances, the only contract is the employment contract, which sets out the right to belong to the IORP (subject to the usual provisions as to future amendment of the contract) but without describing the benefits to be provided by the IORP. The benefits are defined in the trust document, and are subject to amendment as permitted by the trust document and subject to legislation. Neither the IORP, nor its trustees, are party to the employment contract and the employee is not a party to the trust document.</p>	
Q2	<p>The volume of technical language and jargon in the retirement benefits industry can be a barrier to understanding for beneficiary and lay trustees. Our position is that, as far as possible policy makers and regulators should avoid introducing further jargon if this risks increasing the complexity for those who are not part of the industry. The IFoA would question the use of SII terminology in this context; instead, we would urge EIOPA to adopt language that is relevant and directly applicable to the practical operation of IORPs.</p> <p>Were EIOPA to make the decision to adopt the word “boundary”, we note that its usage in 4.14 TP2.16 depends on the existence of the insurance undertaking and a contract; with this in mind, it would likely require a careful redefinition before it could be used in the context of IORPs.</p>	
Q3	<p>We would favour using expressions that may be understood more intuitively (by</p>	

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	practitioners, at least), such as “Level A cashflows”, “Level B cashflows”.	
Q4	<p>The IFoA questions the aim set out in paragraph 4.10 - to have a definition that does not require decision by national supervisory authorities. As stated in our responses to earlier consultations, we favour a principles-based approach with decisions delegated to the lowest level at which there is competence to make them.</p> <p>As the framework for IORPs varies significantly between MS, our concern is that it would be very difficult to find a definition that works across the EU. Indeed, we suspect that a decision by national supervisory authorities could only be avoided by making the definition long and complex. This may often require extensive legal advice in order to determine what should, or should not, be included in the calculations. This would increase the cost of preparing the HBS calculations. It may also act as a barrier to future innovation in benefit design.</p> <p>One difficulty that arises from the separate identification of all possible cashflows is that a substantial amount of work may be needed to calculate the amounts of small and rarely-paid benefits (e.g. pensions for orphans), which would form an immaterial part of the technical provisions. Requiring the calculation of such benefit amounts would significantly reduce the cost-effectiveness of the HBS and further reinforces the value of a principles-based approach.</p> <p>It is important that the technical provisions recognise the risks that the IORP is irrevocably committed to bearing. Furthermore, we welcome the recognition of the roles of the sponsor and social partners in paragraph 4.26 and would urge EIOPA to take these into account, rather than focus solely on unilateral powers of the IORP.</p> <p>A final overarching comment in relation to this section is that, in general, we consider that the protection of future service rights naturally falls under social security and labour law, rather than under prudential regulation of IORPs – and this is particularly the case in the UK.</p>	
Q5	We broadly support this approach - but with the important proviso that a joint exercise of	

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	rights should also be reflected in the “boundaries” (with the result that future service benefits would not be valued in the technical provisions for most UK schemes). The reason for this caveat is that, in the UK, sponsors are not obliged to provide their employees with benefits in a prescribed form (and thus, if there is no agreement on the benefits, an employer could dismiss and re-engage its workforce on revised future service benefits). This reinforces our position taken in response to Q4 - that the protection of future service rights naturally falls under social security and labour law, rather than under prudential regulation of IORPs.	
Q6	<p>We would argue that the analysis is incomplete, as some benefits do not accumulate with contributions or service: for example, lump sum death benefits and ill-health pensions. Moreover, in some cases the benefit amount, or the eligibility to the benefit, is controlled by another party (such as the actuary or a medical adviser). In addition, there are some circumstances in which the sponsor has a right to alter the benefits.</p> <p>We agree that the suggestion in paragraph 4.34 that contributions in respect of funding deficits should be recognised as part of the assets in the HBS.</p>	
Q7	It would not be straightforward to make this distinction because the disclosed split of contributions will generally not align to the economic split. The economic cost of accrual will generally not equal the contributions payable for accrual and will change continuously with market conditions over time.	
Q8	We believe that, for UK schemes, future “regular contributions” should, in general, relate to benefits that are outside the contract boundary and should not be recognised in the HBS. We would support the recognition of other contributions as sponsor support.	
Q9	In the UK, payments to the sponsor are not planned in advance and then recognised in the valuation, so we would therefore question the extent to which this applicable in the UK. We note that they may arise as a consequence of the valuation, or as a consequence of a transaction. Nevertheless, we would suggest that it would be more transparent to recognise these funds as an asset - if they are available to meet the liabilities at the valuation date. They could also be recognised as a component of the technical provisions at the valuation date, providing the sponsor could enforce the payment.	

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Q10	This is possible in theory but uncommon in practice. It is most likely to happen as a consequence of a timing difference: i.e. that the financing payments are made after the benefit has been paid.	
Q11	Yes. This would be more appropriate for many UK IORPs.	
Q12	The key point we would emphasise in this section of our response is the need for EIOPA to consider how the principle of proportionality should apply to the identification of the contract boundaries.	
Q13	<p>The need for EIOPA's analysis to take sufficient account of the difference between insurance contracts and retirement benefit arrangements is paramount. The legal framework for IORPs varies significantly between MS, so it will be difficult to find definitions that work across the EU, and even where such definitions are possible they will necessarily be so complex that substantial legal input will be required to implement them and this will have profound implications for the cost-effectiveness of the proposals and will risk stifling innovation.</p> <p>This variation in legal frameworks– largely a consequence of labour and social law – leads us to believe that solvency requirements in particular should be delegated to MS as far as possible.</p>	
Q14	<p>Our particular concern in the context of this question is that the focus on powers that could be only exercised unilaterally may be too limiting or onerous. This is alongside the points we raise above regarding EIOPA's distinction between insurance contracts and retirement benefit arrangements and the differences between MS legal frameworks for IORPs.</p> <p>If EIOPA opts to retain definitions (which we would caution against), we would request clarification that modifications to benefits or contributions are not mutually exclusive: i.e. it is possible that both are modified at the same time.</p> <p>The legal framework for IORPs varies significantly between MS, so it will be difficult to find definitions that work across the EU, and even where such definitions are possible they will necessarily be so complex that substantial legal input will be required to implement them and this will have profound implications for the cost-effectiveness of the proposals and will</p>	

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	<p>risk stifling innovation.</p> <p>This variation in legal frameworks– largely a consequence of labour and social law – leads us to believe that solvency requirements in particular should be delegated to MS as far as possible.</p>	
Q15	<p>If the definitions are to remain, we would suggest adding a “catch all” provision that would exclude cashflows that are not material to the HBS, or if they do not result in risks accumulating in the IORP (for whatever reason). However, we would suggest that the optimal outcome would be for the detailed definitions to be excluded in favour of a principle-based approach.</p>	
Q16	<p>If the definitions are to remain, we would suggest adding a “catch all” provision that would exclude cashflows that arenot material to the HBS, or if they do not result in risks accumulating in the IORP (for whatever reason). However, we would suggest that the optimal outcome would be for the detailed definitions to be excluded in favour of a principle-based approach.</p>	
Q17	<p>Our particular concern in the context of this question is that the focus on powers that could be only exercised unilaterally may be too limiting or onerous. This is alongside the points we raise above regarding EIOPA’s distinction between insurance contracts and retirement benefit arrangements and the differences between MS legal frameworks for IORPs.</p> <p>If EIOPA opts to retain definitions (which we would caution against), we would request clarification that modifications to benefits or contributions are not mutually exclusive: i.e. it is possible that both are modified at the same time.</p> <p>The legal framework for IORPs varies significantly between MS, so it will be difficult to find definitions that work across the EU, and even where such definitions are possible they will necessarily be so complex that substantial legal input will be required to implement them and this will have profound implications for the cost-effectiveness of the proposals and will risk stifling innovation.</p> <p>This variation in legal frameworks– largely a consequence of labour and social law – leads</p>	

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	us to believe that solvency requirements in particular should be delegated to MS as far as possible.	
Q18	Were EIOPA to adopt our preferred principles based approach outlined above, Q18 becomes redundant. . If EIOPA opts to maintain the detailed definitions, we believe that it will be necessary to have both 2a and 2b but it would be better if they could be combined.	
Q19	Were EIOPA to adopt a principles based approach, we would suggest that those principles take account of the rights of all parties that may jointly or unilaterally amend the cashflows on either, or both, the asset and liability sides of the HBS. This would include member options and might include the powers of national supervisors to effect such changes.	
Q20	This point has caused considerable confusion and we would welcome further clarification from EIOPA.	
Q21	Not in all cases and the resulting ambiguity demonstrates the value of a principles based approach over detailed definitions.	
Q22	We remain concerned that the conditions, as specified, may not be sufficiently flexible to produce the correct outcome for the HBS in terms of the economic exposure of the IORP in all cases. This is due to the extensive range of wording variations that may be found in the deeds governing UK IORPs.	
Q23	Yes, but we have a concern that the definition only works in these abstract examples. The only way in which this could be properly tested would be to ask individual IORPs to apply the definition to their own circumstances.	
Q24	No. As we state above, the legal framework for IORPs varies significantly between MS and application of the definitions is likely to be a complex process, involving a substantial amount of legal input. The legal framework for IORPs varies significantly between MS, so it will be difficult to find definitions that work across the EU, and even where such definitions are possible they will necessarily be so complex that substantial legal input will be required to implement them and this will have profound implications for the cost-effectiveness of the proposals and will risk stifling innovation.  This variation in legal frameworks– largely a consequence of labour and social law – leads	

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	us to believe that solvency requirements in particular should be delegated to MS as far as possible.	
Q25	In the IFoA's view, it is not clear that EIOPA's conclusion follows from the analysis referred to in paragraph 4.60.	
Q26	We are not convinced that this would be possible for UK IORPs in general, although there may be exceptions where there is a well-established pattern. More importantly, we would argue that it is inappropriate to codify pure discretions because such an action may limit the way in which they may be exercised thereafter.	
Q27	<p>We would strongly discourage the idea of including purely discretionary benefits in the HBS. By their inclusion, there would be an increase in the security of these benefits and, hence, their likelihood of being awarded. This would retrospectively increase the value of IORP members' remuneration.</p> <p>If EIOPA were to proceed on the basis of recognising purely discretionary benefits, we would not support the use of a best estimate. We would suggest that the allowance for purely discretionary benefits is agreed between the relevant social partners.</p>	
Q28	<p>Mixed benefits are not a significant feature of UK IORPs. Even in Europe, a wide range of designs exist and this is likely to make it difficult to find definitions that work across the EU. Principles that could apply in this instance should:</p> <ul style="list-style-type: none"> <li>• Make no allowance for the purely discretionary component of mixed benefits, if allowance were to be made, it should be agreed between the social partners.</li> <li>• Use a best estimate of the conditional component of these benefits where the relevant conditions are sufficiently well-defined for this to be possible.</li> </ul>	
Q29	The IFoA would welcome a facility to recognise non-legally enforceable sponsor support, as it can be significant in the context of UK IORPs. To not allow it would be contrary to the "level playing" field objective. In the UK, it is common for the sponsoring entity to be the service company, whose only function is to employ the workforce, which then provides labour to other entities within the corporate structure. These service companies typically have limited resources but, in practice, the resources of those other entities are made available because those entities are dependent on those service companies (for labour).	

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	The IFoA suggests that the best approach would be to quantify the legally enforceable sponsor support. Any non-legally enforceable sponsor support would act as a balancing item, with a qualitative assessment of the ability and willingness of the sponsor to provide the necessary funds. The range of outcomes for the “quality” of the non-legally enforceable sponsor support will be from “near certain” (for example when not providing support would damage the sponsor and resources far exceeding the amounts involved) to “unlikely”.	
Q30	The IFoA has no comment as off-balance sheet capital instruments are not a feature of current UK IORPs.	
Q31	The IFoA has no comment as off-balance sheet capital instruments are not a feature of current UK IORPs.	
Q32	Yes, we agree that there may be merit in indicating a separate value of surplus funds in a balance sheet at their nominal value.	
Q33	The IFoA has no comment as subordinated loans are not a feature of current UK IORPs.	
Q34	The IFoA has no comment as subordinated loans are not a feature of current UK IORPs.	
Q35	<p>We do not agree with the comment in 4.91 that benefit reductions are necessarily the last mechanisms taken into account: this may be a feature of current benefit designs, but we would consider it unfortunate if future innovation were limited in this respect by a regulatory regime that made this assumption.</p> <p>The approach to valuing a benefit reduction mechanism ought to depend on the nature of it. We agree that for ex-ante reduction mechanisms, where the extent of the reduction can be determined precisely depending on the circumstances, a direct approach may be more appropriate. However, we believe it would be more practical to adopt a balancing item approach for ex-post reductions and reductions, in case of sponsor default. If this were the case, there would need to be a qualitative comment on the likelihood of such reductions.</p>	
Q36	We strongly believe that the only way in which a degree of “harmonisation” can be achieved in terms of outcomes for members is to adopt a principles based approach. When considering retirement benefit provision from the member’s perspective, it is not	

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	<p>enough to consider IORP regulation in isolation. It is necessary, for example, to:</p> <ul style="list-style-type: none"> <li>• consider Pillar 2 provision in the context of Pillar 1 and Pillar 3 provision</li> <li>• take account of the variations in social and labour law and practice</li> <li>• take account of variations in corporate structures and their interaction with insolvency law and practice</li> </ul> <p>The IFoA considers that prescribing harmonised calculations for just one component of retirement benefit provision would have the effect of entrenching the differences between provision in different MS, rather than facilitating the development of the internal market.</p>	
Q37	<p>As stated in our responses to earlier consultations, our view is that the methods and assumptions used to evaluate the various components of the HBS should depend on the purpose for which the HBS is being used. As a result, our view on these particular questions depends on the proposed supervisory responses.</p> <p>While, in general, we favour approaches that are consistent with market information (where this is available), the use of the term “market consistent” in this context is applied somewhat differently to how it is used in financial economics.</p> <p>We recognise the value in the stochastic modelling of sponsor support when a large number of sponsors are valued together. As far as we know, these techniques are not used by market practitioners (such as covenant advisers, investment analysts, asset managers, investment bankers). We would recommend that EIOPA investigates the extent to which using these methods, and any approximations based on them, will affect decisions made by corporate bodies and investors. In particular, it is not clear that the proposed methods will adequately consider the variations in position that IORPs occupy in corporate hierarchies. This may create opportunity for corporates to restructure in ways that disadvantage their IORPs.</p> <p>We note too the comment in the last bullet of 4.164 that the model is very sensitive to the structure and the inputs. For this reason, we would suggest that careful consideration be given to whether the model would be fit for purpose.</p>	
Q38	Valuing the expected cash flows, allowing for affordability and credit risk, may be an	

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	appropriate method, but the IFoA considers that the methods and assumptions used to evaluate the various components of the HBS should depend on the purpose for which the HBS is being used. Consequently, we favour a principles-based approach with national supervisors giving guidance, where necessary, that takes account of local conditions. One feature we have observed from approaches that look only at planned contributions adjusted for credit risk is that the HBS does not balance because the planned contribution amounts do not include a margin for default.	
Q39	The balancing item approach may be an appropriate method, but the IFoA considers that the methods and assumptions used to evaluate the various components of the HBS should depend on the purpose for which the HBS is being used. Consequently, we favour a principles-based approach with national supervisors giving guidance, where necessary, that takes account of local conditions.	
Q40	The IFoA considers that national supervisors should give guidance on when this approach may be used.	
Q41	The IFoA considers that national supervisors should give guidance on when this approach may be used.	
Q42	The IFoA considers that national supervisors should give guidance on suitable values of M.	
Q43	Yes this may be appropriate, but the IFoA considers that national supervisors should give guidance on when this approach may be used.	
Q44	The IFoA considers that national supervisors should give guidance on when the balancing item approach may be used.	
Q45	The IFoA considers that national supervisors should give guidance on when the balancing item approach may be used, which may include a specified minimum level of funding.	
Q46	Yes this may be appropriate, but the IFoA considers that national supervisors should give guidance on when this approach may be used.	
Q47	The IFoA considers that national supervisors should specify guidance.	
Q48	The IFoA considers that national supervisors should give guidance at whatever level of detail is appropriate for local conditions.	
Q49	Yes this may be appropriate, but the IFoA considers that national supervisors should give guidance on when this approach may be used.	

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Q50	The IFoA considers that national supervisors should have this responsibility.	
Q51	The IFoA has reservations about this approach in that it reflects only planned sponsor support, treating it identically to expected payments from a bond issued by a third party bond – rather than the support potentially available from the sponsor.	
Q52	The IFoA considers that national supervisors should have this responsibility.	
Q53	We recognise the value in the stochastic modelling of sponsor support when a large number of sponsors are valued together. As far as we know, these techniques are not used by market practitioners (such as covenant advisers, investment analysts, asset managers, investment bankers). We would recommend EIOPA investigate the extent to which using these methods, and any approximations based on them, will affect decisions made by corporate bodies and investors. In particular, it is not clear that the proposed methods will adequately consider the variations in position that IORPs occupy in corporate hierarchies. This may create opportunity for corporates to restructure in ways that disadvantage their IORPs.	
Q54	No	
Q55	Yes this may be appropriate, but the IFoA considers that national supervisors should give guidance on when this approach may be used.	
Q56	This approach may be appropriate with these adaptations but the IFoA considers that national supervisors should give guidance on when it may be used and EIOPA should be provide spreadsheets.	
Q57	We agree that an adequate simplified one-size-fits-all approach for the calculation of maximum sponsor support is not possible. The IFoA considers that national supervisors should give guidance on the approach to be used.	
Q58	No, the IFoA would prefer EIOPA to set principles and, in defining parameters, EIOPA would go beyond this.  The IFoA has a concern that smaller IORPs may face disproportionate costs, whereas, schemes with very large sponsors may be exempt.	
Q59	For industry-schemes in particular, a payroll-related assessment may be the only practical approach.	

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Q60	The IFoA has no other suggestions at this stage.	
Q61	The IFoA considers that national supervisors should give guidance on recovery periods.	
Q62	The IFoA considers that national supervisors should give guidance on the approach to be used. Prescribing a single approach could lead to sub-optimal decision making.	
Q63	The IFoA considers that national supervisors should give guidance on the approach to be used. Prescribing a single approach could lead to sub-optimal decision making.	
Q64	The IFoA considers that national supervisors should give guidance on the approach to be used. Prescribing a single approach could lead to sub-optimal decision making.	
Q65	The IFoA considers that national supervisors should give guidance on the approach to be used. Prescribing a single approach could lead to sub-optimal decision making.	
Q66	This seems a reasonable approach.	
Q67	The simplicity of this approach is attractive but the IFoA is not certain it meets the needs of not-for-profit organisations.	
Q68	The IFoA considers that national supervisors should give guidance on the approach to be used. Prescribing a single approach could lead to sub-optimal decision making.	
Q69	The IFoA considers that national supervisors should give guidance on the approach to be used. Care should be taken to avoid a disproportionate amount of work in producing the calculations discussed in this section.	
Q70	The IFoA considers that national supervisors should give guidance on the approach to be used.	
Q71	Yes, but the IFoA considers that national supervisors should give guidance on the approach to be used.	
Q72	<p>The IFoA has a number of concerns about the approaches to sponsor support valuations discussed in the consultation document. Our primary concern is that, contrary to the “level playing field” objective, the effect of these approaches on the sponsors of UK IORPs could be more onerous than the Solvency II capital requirements for the same expected cashflows, when underwritten by an insurance company. We would urge EIOPA to conduct some case studies to examine this issue more fully.</p> <p>The legal framework for IORPs varies significantly between MS, so it will be difficult to find definitions that work across the EU, and even where such definitions are possible they will</p>	

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	<p>necessarily be so complex that substantial legal input will be required to implement them and this will have profound implications for the cost-effectiveness of the proposals and will risk stifling innovation.</p> <p>This variation in legal frameworks– largely a consequence of labour and social law – leads us to believe that solvency requirements in particular should be delegated to MS as far as possible.</p>	
Q73	The IFoA considers that national supervisors should give guidance on the approach to be used, but that the HBS should not be prescribed for this purpose.	
Q74	The IFoA strongly supports appropriate disclosure to members of the security of their retirement benefits. Members must understand such disclosure. It is unlikely that many members would understand the HBS or the risk evaluation report to the supervisory authority.	
Q75	The IFoA considers that the HBS should not be prescribed for this purpose.	
Q76	The IFoA considers that national supervisors should give guidance on the approach to be used, but that the HBS should not be prescribed for this purpose.	
Q77	The IFoA considers that national supervisors should give guidance on the approach to be used, but that the HBS should not be prescribed for this purpose.	
Q78	The IFoA considers that national supervisors should give guidance on the approach to be used, but that the HBS should not be prescribed for this purpose.	
Q79	The IFoA considers that national supervisors should give guidance on the approach to be used, but that the HBS should not be prescribed for this purpose.	
Q80	The IFoA considers that national supervisors should give guidance on the approach to be used, but that the HBS should not be prescribed for this purpose.	
Q81	No	
Q82	The IFoA has no comment as off-balance sheet capital instruments are not a feature of current UK IORPs.	
Q83	Yes	
Q84	The IFoA has no comment as subordinated loans are not a feature of current UK IORPs.	

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Q85	The IFoA considers that national supervisors should give guidance on the approach to be used. Current UK practice resembles the Level B approach: there would be winners and losers from changing to a Level A approach. Such a change could be very disruptive although much depends on how the requirement relates to Level A and the related supervisory actions.	
Q86	The IFoA considers that national supervisors should give guidance on the approach to be used.	
Q87	The IFoA considers that national supervisors should give guidance on the approach to be used. Current UK practice resembles the Level B approach: there would be winners and losers from changing to a Level A approach. Such a change could be very disruptive although much depends on how the requirement relates to Level A and the related supervisory actions.	
Q88	The IFoA considers that national supervisors should give guidance on the approach to be used.	
Q89	We agree that MS should have the facility to do this.	
Q90	The IFoA considers that national supervisors should give guidance on the approach to be used.	
Q91	The IFoA considers that national supervisors should give guidance on the approach to be used.	
Q92	The IFoA considers that national supervisors should give guidance on the approach to be used.	
Q93	The IFoA considers that national supervisors should give guidance on the approach to be used.	
Q94	The IFoA considers that national supervisors should give guidance on the approach to be used.	
Q95	The IFoA considers that national supervisors should give guidance on the approach to be used.	
Q96	The IFoA considers that there should be no change to the current Directive where it is left to national supervisors to give guidance on the approach to be used.	
Q97	The IFoA has a concern that amending the protection of accrued benefits as discussed in this consultation could have the effect of making existing entitlements more valuable: i.e.	

**Comments Template on  
Consultation Paper on Further Work on Solvency of IORPs**

**Deadline  
13 January 2015  
23:59 CET**

	retrospectively increasing the value of deferred remuneration. As stated above, we believe that the existing contractual agreements and national social and labour law should drive the determination by MS of the prudential framework for each member state.	
Q98	The IFoA considers that transitional measures would be required and the length of the transitional period would also be relevant. Consideration could be given to not applying any changes to existing promises.	
Q99	No comment	
Q100	No comment	
Q101	No comment	
Q102	No comment	
Q103	No comment	
Q104	No comment	
Q105	No comment	
Q106	No comment	
Q107	No comment	
Q108	No comment	
Q109	No comment	
Q110	No comment	
Q111	Yes. The most important simplification would be to construct a principles-based approach for the HBS.	