

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

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

Name of Company:	PSVaG PENSIONS-SICHERUNGS-VEREIN Mutual Insurance Association	
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"> ⇒ 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, <u>in Word Format</u>, 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>PSVaG as Pension Protection Scheme in Germany and Luxembourg</p> <p>The PENSIONS-SICHERUNGS-VEREIN Versicherungsverein auf Gegenseitigkeit (PSVaG) is the statutory agency providing insolvency protection for occupational pension schemes. The sole purpose of this mutual insurance association is to guarantee occupational pensions in the event of an employer becoming insolvent in the Federal Republic of Germany, where this guarantee function is fulfilled pursuant to the Fourth Section of the German Law on the Improvement of Occupational Old-age Pensions (BetrAVG), and in the Grand Duchy of Luxembourg.</p>	

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The PSVaG was assigned responsibility for protecting corporate pension schemes in accordance with the German Company Pension Act (BetrAVG) enacted in December 1974.

When a company is declared insolvent, the PSVaG assumes responsibility for paying benefits to all employees and pensioners who are entitled to occupational pension benefits covered by the pension protection scheme (PPS). As a rule, the PSVaG covers 100% of the obligations of IORPs subject to statutory insolvency pension protection in Germany and Luxembourg.

Pension protection is funded by contributions from the approximately 94,000 sponsoring employers in accordance with statutory requirements representing the major part of the German economy.

Protection through a PPS should be taken into account

In our view, protection through a PPS should be taken into account as a sufficient asset in the holistic balance sheet (HBS), as IORPs would otherwise be subject to unreasonable capital requirements for no justifiable reason. In Germany, the PSVaG represents a central component of the occupational pension system. An overall assessment from the viewpoint of IORPs, members and beneficiaries must necessarily include pension protection institutions backing a sponsor, as a pension protection institution represents an essential security mechanism for IORPs and their members and beneficiaries. The PPS is an important security mechanism for occupational pension promises via safeguarding the pension promise and should therefore be considered in an HBS.

Since the foundation of the PSVaG in Germany forty years ago, no beneficiaries or pensioners with PPS protection have lost their legally protected pension rights because of the insolvency of the sponsoring employer. Not taking PPS into account in the HBS would therefore remove it even further from the reality of occupational pensions in some European Member States.

Valuation of a PPS

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	<p>If against the recommendation of employers and other stakeholders, the HBS is introduced, the balancing item approach could be a feasible method to value the protection through a PPS. We recommend that the details of the valuation of a PPS should be left to Member States. The calculation should be appropriate and specific in particular to their national social and labour law. This enables to cover different types of PPS as well as country specific differences.</p> <p>Remark</p> <p>We limited our answers to questions concerning the inclusion and valuation of a PPS in the HBS.</p>	
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Q42		
Q43	We agree. PPS should definitely be considered either via backing up sponsor support as balancing item or directly as balancing item on the HBS. Otherwise this important security mechanism for safeguarding the pension promise from the beneficiaries' perspective would be neglected.	
Q44	In both cases, the existence of a PPS should be considered in the HBS. If the PPS does not guarantee full benefits, then we recommend that Member States should specify appropriate details of the valuation of the PPS. This enables Member States to cover different types of PPS and their specific circumstances.	
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Q69	PPS should definitely be considered either via backing up sponsor support or directly as balancing item on the HBS. If a PPS covers 100% of benefits and is sufficiently strong (i.e. large number of sponsors joining) it should be able to cover liabilities as well as SCR due to the loss-absorbing function. Otherwise this important security mechanism for safeguarding the pension promise from beneficiaries perspective would be neglected.	
Q70	We think it is important that the effect of a PPS as a balancing item is considered at all in the HBS be it via modelling it indirectly as backing up sponsor support to function as balancing item by reducing sponsor default probability to zero or directly as balancing item. In principle, we prefer PPS to be a separate component of the HBS. They are a mechanism in their own right, therefore it should be included in their own right in the HBS as well.	
Q71	Yes. Including a strong PPS as balancing item is justified, because it can guarantee that the pension benefits will always be delivered on a sufficient level as defined in the national social and labour law. See also Q77.	
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Q77	We prefer option 1 to include PPS on an IORP's balance sheet. Otherwise this important security mechanism for safeguarding the pension promise from the beneficiaries perspective would be neglected. The existence of a PPS contributes to the safety of the pension promise. In an holistic view a PPS should therefore be included in the HBS.	

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	We support the arguments for including PPS in any EU-wide framework as expressed in the Consultation paper.	
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Q99	In general, no example can be accepted that does not take PPS into account. Thus PPS have to be added.	
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Q111	We think that simplifications and exemptions are justified if a strong security mechanism such as a PPS exists.	