	Summary of Comments on EIOPA-CP-12/003: Draft Technical Specifications QIS of EIOPA's Advice on the Review of the IORP Directive: Consultation Paper General Comments	EIOPA-BOS-12/086 2 October 2012

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The numbering of the paragraphs refers to Consultation Paper No. EIOPA-CP-12/003

No.	Name	Reference	Comment	Resolution
1.	OPSG	General Comment	Summary European IORPs should provide adequate, sustainable and safe pensions. As the White Paper on Pensions acknowledges, a holistic approach to pensions is necessary to achieve good pensions across Europe, now and in the future. The OPSG welcomes the recognition of the fact that the risks of IORPs differ from insurance companies. Therefore it follows that the revised IORP Directive cannot be directly copied from the Solvency II Directive. The proposed Holistic Balance Sheet (HBS) approach theoretically seems to offer possibilities to take the specific characteristics of IORPs into account, although it is very complex. This method is new and more work and analysis is necessary in order to judge if the HBS approach is suitable as a supervisory tool. In our reaction on the Call for Advice, the OPSG expressed doubts about the practicability of the HBS approach. A less constrained timetable for EIOPA to test the concept of the HBS will definitely contribute to the quality of a revised IORP Directive. The OPSG would recommend the European Commission give more time to EIOPA to complete this process. We do not believe that one QIS, based on the proposed Technical Specification, will provide the necessary information on which to draft a new Level 1 IORP Directive. Or the other way around: it seems not to be a responsible decision to base the IORP II Directive on the results of this QIS. If the Commission's goal is to support role of private pension	Partially agreed. Resemblances with Solvency II follow from Commission's CfA EIOPA will reconsider HBS approach after the QIS There is not enough information at this stage to specify supervisory responses and proportionality rules Some areas of technical specifications have been simplified (including proportionality

			provision , then more time and more QISs will be required in order to design a Directive that serves this purpose. General comments The request of the European Commission to EIOPA to come up with appropriate and adequate technical specification in such a tight timetable is very ambitious. The OPSG would like to point out that it has its concerns with respect to the speed of this process in combination with the complexity. It will be difficult for EIOPA to come up with a single supervisory framework for IORPs. There are material differences between pension systems across Europe, such as the form of the benefit, the way the benefit is funded, the security level of the pension promise (which is part of the pension contract) and the involvement of social partners. As a consequence, such differences make it difficult and often conflicting to apply one legislative framework over current competent and functioning pension systems. It should be noted that in many Member States, their pension systems are either in a nascent stage of development or undergoing reconstruction in order to find a new balance between the three pillars. A harmonisation of second pillar structures across Europe does not fit with these processes. Much of the human and financial resources required for the QIS project are already committed to the above development and reorganisation. The OPSG wants to highlight that HBS approach (as described) will lead to an additional burden for these IORPs, while it is questionable how useful the concept and the QIS exercise will be given the changes in those Member States. The revision of the IORP Directive – and especially this consultation – is a very technical exercise. Whilst the technicalities are very important, they should be subordinate to the overall goals of the European Pension	section), other areas will be further developed IORPs do not have to calculate risk modules that are not material Inflation risk module added as option EIOPA agrees more QISs are needed

			Policy. Initial comments of large European companies who sponsor their own pension funds as HR vehicles indicate that the QIS and its complexity is well beyond their capabilities. It would be counterproductive if the new IORP Directive became the catalyst that led to scaling back second pillar pension provision or to move the pensions outside the scope of the IORP Directive (moving back to first pillar pensions, shift to book reserves or individual defined contribution schemes). This is undesirable, given the fact that only 40% of European employees are currently participating in a supplementary pension scheme and the recognised need for more supplementary pensions in Europe (see also EC White Paper on Pensions). If supervision of the second pillar IORPs becomes too inflexible it will increase the pressure on the first pillar, which according to the Commission is already under stress in many countries. Therefore, the OPSG very much welcomes the Quantitative Impact Study of EIOPA and the impact assessment by the Commission in order to avoid adverse consequences to the revision of the IORP Directive. EIOPA has an important task to facilitate these impact studies and the OPSG is ready and willing to assist EIOPA with this challenge. Especially the proposed adoption of the HBS; this innovative approach for the quantification of security and benefit adjustment mechanisms needs further development, in order for it to succeed as an effective and affordable supervisory instrument. Even though the QIS intends to look at the valuation of pension liabilities and capital requirements, it does not include very important elements of the prudential framework: like recovery periods, tiering of assets and liabilities and the required policy reaction if an IORP hits a supervisory	

			trigger point, nor indeed the trigger points themselves. These (re)actions will decide the impact of the capital requirements on the European economy, since they will decide what should happen with (sponsor) contributions and pensions (and indexation) and also what the consequences will be for the investment strategy of IORPs. It could be that excessively risk-averse regulation will force IORPs to de-risk, putting the Europe 2020 strategy under pressure, because the availability of risk capital will diminish. The secondary impacts of a new regulatory framework should not be overlooked. Insurers across Europe have already changed their asset mix and sold equity as a result of the upcoming Solvency II regulation. Unfortunately, the OPSG thinks that the proposed Technical Standards of the QIS will not provide the necessary information required to frame a revised IORP Directive. The current set of technical specifications leaves too much scope for interpretation. This questions the consistency of inputs and consequently the quality of the results. Furthermore, the OPSG is of the opinion that the first QIS is too technical. We believe that more QISs will be necessary. This first QIS should be KISS (keep it short and simple) and not a QUIZ with many possible and unclear answers. Therefore we recommend that the European Commission gives more time to EIOPA to do their QISs. The OPSG would like to highlight three specific points of concern with respect to the QIS: 1) process, 2) the valuation of HBS and 3) proportionality. 1) Process	

			☐ The OPSG suggests performing more QISs (in the sense of KISS) before the European Commission sets out its proposals for the revised IORP Directive. The first QIS should be simple and increase in sophistication with each subsequent QIS – the product of an iterative learning process. More QISs will lead to higher stakeholder involvement and a better understanding by IORPs, Commission, Parliament and supervisors on how to shape the revised IORP Directive. ☐ Furthermore, the OPSG wants to point out that the proposed QIS will not predict or condition behaviour for the following reasons: - A comprehensive assessment requires not only the parameters, but also the proposed supervisory prudential framework. Key supervisory features such as the length of recovery plans (short and long term), the tiering of assets and liabilities that will decide the impact on the policy actions when an IORP hits a supervisory trigger point are missing. EIOPA also remarks on this point (I.4.2). - The capital requirements in themselves are less relevant than the consequences on contributions and pensions. It is unclear what the impact on these will be. - These consequences for contributions and pensions will have an impact on the economy. We understand this the broader impact of introducing IORP II will be considered by the European Commission in their economic impact assessment. However, the Commission will not be able to perform an impact assessment for the economic consequences without knowing how IORPs will react (contributions, pensions) within the supervisory prudential framework. - It will also be unclear what the possible consequences will be for IORP investment strategy. It is very possible that the new Directive will force IORPs to de-risk their portfolios (a secondary impact on insurance	

			companies from Solvency II), leading to less risk capital being available for the European economies and adversely impacting on the Europe 2020 strategy. We cannot foresee how the Commission will capture and measure all these impacts. ☐ The representativeness of the QIS is insufficient for an IORP II proposal by the EC (see question 1). Furthermore, in some of the eight participating Member States the QIS will not be performed by IORPs, but by supervisory authorities, who will submit aggregate data. It is our opinion that EIOPA and the Commission can only gain a reliable indication of the real impact of the QIS when it is performed by IORPs. The use of aggregated data makes the comparison between funds and countries meaningless. EIOPA will find it very difficult to gain an adequate overview of this project without being aware of the moving parts that lie beneath the data. ☐ The timetable is too constrained. Supervisors and the pension sector have very limited experience with the concepts and valuation of the HBS. As EIOPA mentioned in its consultation, “this QIS represents the first impact study for IORPs and covers a very broad range of issues that are in many respects new concepts for IORPs, pension supervisors and other stakeholders alike”. If stakeholders were given more time to react to the proposed technical standards, then the quality and breadth of the response would improve, and consequently the final outcome. The OPSG does not see the added value of shortening the consultation period due to the imposition of an external timetable (I.10.1). The advantage of a better response and so better technical standard will definitely outweigh the benefit of a faster determination of the technical standards. The OPSG is also very concerned that EIOPA will not have enough time to read and assimilate all the responses to their proposal for the technical standards. The time period between the close of the consultation and EIOPA’s report to the Commission is very short. Therefore, the OPSG	

			strongly recommends that more time is allocated to this process. 2) Valuation of HBS ☐ The OPSG considers that the HBS may not be a useful instrument in assessing the solvency of the fund. If the pension contract is complete and all security mechanisms are included in the HBS, the funding ratio will always be 100%. This is because of changes in (market) conditions will have an impact on the value of the HBS items. Changes in markets, longevity etcetera will impact upon the balance sheet items (e.g. a decrease in assets will possibly lead to an increase in the value of the steering mechanisms and/or a decrease of the value of the adjustment mechanisms), causing the (holistic) funding ratio to stay unchanged. This will lead to a net solvency capital requirement of 0. In this sense, the HBS could be a very expensive exercise that only confirms when a pension contract is complete. ☐ It seems possible that IORPs will be able to complete the calculations required of the HBS. However, the OPSG has little confidence that the outcome will be useful for supervisors and the pension sector. To calculate the HBS, IORPs have to make many assumptions, so the risk of pseudo security is severe and the model-risk of this approach is very large. Markets are incomplete (e.g. long maturities, wage inflation, long term volatility) and thus dependent on modeling assumptions, so the reliability of outcomes is questionable. Altogether, this makes it very hard to compare the HBSs of different IORPs. If the HBS is to be used as supervisory tool, then there needs to be discussion between IORPs and supervisors to close-off the subjective assumptions that currently lie within the specification. ☐ The valuation of the different steering and adjustment mechanisms is also dependent on the prudential framework. What will be	

			the length of recovery plans? How will the supervisor use tiering? These factors are unknown. ☐ On the one hand, inflation risk is not adequately taken into account. This risk could be material for final salary and revalued career average IORPs, or those which promise targeted inflation linked benefits. On the other hand, some SCR risks, copied from Solvency II, are over-emphasised or are not material to IORPs (see response to question 17). ☐ It is not clear how EIOPA will infer other security levels from the calculations on a 99.5% level. Due to the (option) valuations of the different steering and adjustment mechanisms, other security levels cannot be derived from the 99.5% level (since they do not conform to a normal distribution – these distributions are skewed and fat tailed). ☐ The underlying principles of the HBS are based on highly price efficient markets, normal distribution curves and stable correlations. The events of the last few years have shaken confidence in these assumptions. Indeed these model risks are not new; unfortunately they did not receive adequate consideration when Value at Risk (VaR) became a prudential tool for the banking and insurance sectors. Consequently we have concerns about the wisdom of using VaR as a supervisory tool for the pensions sector. ☐ We question the appropriateness of the HBS approach. The approach, founded on Solvency II, relies heavily on risk-free interest rates for the calculation of pension liabilities. Given the historically low level of interest rates and strong intervention in the credit markets by Central Banks, are we honestly in a period of 'genuine' risk-free interest rates for the purpose of calculating pension liabilities? ☐ Further, more time would be desirable in order to value the different steering and adjustment mechanisms. The implementation of a more simplified model that ensures a working/functioning risk-based	

			supervisory-system will be key to the success of the revised Directive. The supervisory-system needs to cope with a financial crisis or it will become an instrument of pro-cyclicality. ☐ Alternatives to a HBS approach, like an ALM analysis or stress-test, should be studied. This does not mean that it may not be helpful to adopt a holistic framework which takes into account the different risk mitigating instruments. This holistic framework can contribute in an overview of the different steering and adjustment mechanisms. However, the OPSG have serious doubts as to whether the HBS is an appropriate supervisory tool. ☐ Lastly, the calculations of the different risks for the SCR frequently depend on the credit rating of the sponsor and investments. This is remarkable given that the Commission and the European Parliament are aiming to reduce reliance on credit ratings as a tool of risk management. According to a recent ECON statement, “no EU law will be permitted to refer to credit rating for regulatory purposes”. 3) Proportionality ☐ The costs of doing a QIS are a point of concern for many IORPs. Costs will run into tens of thousands of euro’s or even more if an IORP still has to set up a new model in order to value the adjustment and steering mechanisms. These costs are not justified given the expected reliability of the outputs. ☐ The resources needed to run a QIS style solvency process will be very expensive to the majority of IORPs (this will be the same for the HBS itself if it is to become the future prudential framework of a new IORP Directive). Therefore, those that participate will be a biased sample of large pension plans, i.e. those with a greater ability to absorb the	

			costs. ☐ The requirements for the application of proportionality are complex. The proposed process on when to apply proportionality seems to be more labour-intensive than doing the actual calculations. Hence the scope for applying proportionality seems limited. ☐ The possible impact of future costs on IORPs or the sponsoring companies with regard to the new framework are not addressed. As a large proportion of IORPs are small and provided on a voluntary basis, increased regulatory costs will inevitably cut member benefits. The OPSG would like to point out that the Stakeholders – including the OPSG - cannot deliver thorough and comprehensive input to this consultation due to the inadequate time scale. As a consequence, this has limited the level of detail that we could offer in our response.	
2.	aba Arbeitsgemeinschaft für betriebliche Altersver	General Comment	We welcome the opportunity to comment on the Draft Technical Specifications for the EIOPA QIS. We note with regret that EIOPA was unable to provide the normal 3 month consultation period due to the "imposition of an external timetable". We are concerned by the haste with which the IORP review is being carried out given the profound impact it will have on IORPs, their stakeholders and the wider economy. The timing of the actual QIS is also unfortunate as it will coincide with IORPs' year end activities and, therefore, deter even more IORPs from participating. Contrary to the promises made by the Commission and EIOPA, the QIS is more or less a direct copy/paste from Solvency II with some modules added for sponsor support and pension protection schemes. No effort has been made to develop a solvency approach which reflects the true nature	Noted. Resemblances with Solvency II follow from Commission's CfA EIOPA will reconsider HBS approach after the QIS Questionnaire will include questions on

			of IORPs, the benefits they provide and their role within society. In particular, capital requirements based on VAR, a one-year forecast period and market based parameters are completely inappropriate for institutions that have long-dated liabilities that cannot be called, have flexible funding backed by a sponsoring employer and are a critical provider of long-term capital both to the banking sector and to the real economy. Rather than copying regulation from the insurance sector, we would have expected EIOPA to seek inspiration from regulatory approaches in comparable pension systems (eg. USA, Switzerland etc.) Indeed, it is this playing field which is relevant for European corporate pension sponsors. Whilst we agree with the principle of risk-based supervision, where, in our view however, the definition of risk should be calibrated to the objectives of the individual IORP, we disagree with the notion of introducing risk-based capital requirements and attaining "a level of harmonization (of prudential regulation) where EU legislation does not need additional requirements at a national level". The current economic environment lays bare the flawed approach of market-consistent valuation. European fixed income markets are dysfunctional, interbank lending is at a standstill and prices in sovereign debt markets are heavily distorted due to large scale political and central-bank intervention. Introducing volatile risk-based capital requirements for IORPs would increase uncertainty and further weaken confidence in the financial system. It is, therefore, not clear why the "base-scenario" in the draft technical	impact and potential policy reactions EIOPA agrees more QISs are needed

			specifications reflects the current stress environment we are facing with the so-called Euro crisis. Economically, it does not make sense for the "base case" to reflect a scenario of negative real interest rates as the rationale for retirement saving in this context ceases to exist. The Commission has declared that "any new supervisory system for IORPs should not undermine the supply or the cost-efficiency of occupational retirement provision in the EU." It should be apparent that solvency II-like capital requirements based on December 2011 yield levels, if implemented, would drastically reduce the cost-efficiency and, therefore, supply of occupational retirement provision in the EU. To be clear, the proposed regulations, if implemented, would lead many corporates in Germany to review their continuing sponsorship of IORPs. Particularly the young, who are already shouldering a significant portion of the cost of 1st pillar provision, would be most affected. We, therefore, stress the importance of the questionnaire that EIOPA is currently developing (I.6.2) that will "give a first impression of the outcomes of the QIS and the potential policy reaction by the IORPs and other stakeholders if the holistic balance sheet approach were implemented." We believe it would be useful to draft this questionnaire in the context of the five points that Commissioner Barnier outlined in his speech at the Public Hearing on the 2nd EIOPA consultation on 1 March 2012: 1. Facilitation of cross-border schemes. Will the proposed measures encourage and facilitate the creation of cross	

			border IORPs? 2. Impact on long-term investment Will the proposed measures facilitate economic growth and long-term sustainable wealth creation? 3. Contribution to the sustainability of Member States' public finances. Will the proposed measures reduce the reliance on state provided benefits? Will they be tax neutral, given that funding may have to increase? 4. Take better account of specific characteristics of IORPs by using an approach based on economic substance rather than legal form. Do the proposed measures take the economic substance of IORPs adequately into account? What will be the impact on the sponsoring employer's balance sheet? 5. Maintain a level playing field for regulatory competition Will the proposed measures turn IORPs into insurance companies and, if so, will sponsoring employers be willing to underwrite insurance business or rather seek alternative forms of providing deferred compensation to employees? How will the proposed measures affect the competitive landscape of European corporates vis-à-vis their non-European counterparts. Finally, we hope that the Commission and EIOPA will recognize that this QIS can only be the first in a series of QIS on the way towards developing a workable model for prudential regulation of IORPs in Europe.	

3.	AEIP – The European Association of Paritarian Inst	General Comment	AEIP herewith provides its answers to the Consultation on the draft technical specifications of the QIS of EIOPA's Advice on the Review of the IORP Directive. AEIP decided to formulate answers to specific questions, even if it disagrees with the principles and the approach brought forward in the general structure of the forthcoming QIS. This is crucial, as AEIP believes a new supervisory regime for IORPs should originate from the IORP directive itself, rather than from the approach used within Solvency II. AEIP is convinced that the review of the IORP directive cannot be handled separately from other initiatives of the European Commission (EC) with respect to pension policy, as expressed by the holistic approach of the EC White Paper "An agenda for adequate, safe and sustainable pensions". Indeed, the approach adopted by the European Commission for this particular dossier not only touches upon issues related to prudential regulation, but also to national social and labour law (SLL). In a number of Member States, occupational pension schemes are compulsory as a part of the national social and labour law or collective labour agreements. AEIP would thus invite the EC to draft a regulation aimed at facilitating and boosting the existence of adequate pension schemes in the second pillar for the European workers and citizens. In a number of Member States occupational pension schemes exist since a long time. They are regulated and function well, and can prove a track record in delivering	Partially agreed. Resemblances with Solvency II follow from Commission's CfA EIOPA will reconsider HBS approach after the QIS There is not enough information at this stage to specify supervisory responses and proportionality rules Some areas of technical specifications have been simplified (including proportionality section), other

			adequate pensions. GENERAL COMMENTS ABOUT THE IORP DIRECTIVE REVIEW PROCEDURE AEIP regrets that the timeframe allowed for responding to this consultation is so short and in the middle of the holiday season. A 6-weeks period is inappropriate to tackle such a complex and technical document, which also contains new concepts and methodologies. This is even truer for small IORPs because most of the information and skills to exercise the forthcoming QIS are not needed for planning, controlling or operating an IORP. In addition, such a short timeframe hampers the representativeness of this consultation, forcing many stakeholders to refrain from participating and providing their opinion on extremely delicate issues like long term business expectations. AEIP also questions the fact that the draft technical specifications of the QIS do not seem to be consistent with the overarching objectives set out by the EC in the review of the IORP Directive. Indeed, the EC aims at (1) proposing measures which simplify the setting-up of cross border pension schemes, (2) introducing a risk-based regulatory and supervisory framework at EU level, (3) securing modernisation of prudential regulation for IORPs which operate DC schemes. Thus, it is not clear why the introduction of a risk-based supervisory regime requires a full harmonisation of the security and confidence levels across all European IORPs. AEIP believes that there is no need for a uniform security level all over the EU, because the security of the pension promise is part of the social and labour law and/or the agreement amongst social partners. In fact, pension security can not only be considered from a second-pillar-	areas will be further developed Questionnaire will include questions on impact and potential policy reactions EIOPA agrees more QISs are needed

			pension point of view, but should consider the sustainability and adequacy of the whole pension system of a given country and also take into account the nature of the social contract of the pension promise, since different security levels are accepted within national SLL. If the current provisions contained in the proposed technical specifications will be used in the upcoming QIS, it will be a partial exercise. The QIS, as we understand it now, will indeed only focus on the implementation of the Holistic Balance Sheet and the calculation of the SCR and the MCR. Such a QIS would thus not provide insights and eventually test other essential policy elements (i.e. the tiering of assets, recovery periods, recovery plans and any other regulatory reactions and their impact on contributions and pensions). Moreover, since it is an incomplete exercise which will, as we expect, provide incomplete results, it appears the EC will not have enough information to design a new directive. Instead, more policy-related inputs would have been welcome in order to evaluate the impact of the tools proposed. AEIP regrets that the QIS will not contain any qualitative chapter dedicated to the political impact of such provisions. Indeed, to implement the HBS and the quantitative requirements set out in the QIS will likely have a negative impact on workplace pensions managed via European IORPs, with a risk that the provision of workplace pensions will decrease in Europe, which is the exact opposite of what the EC aims at in its White Paper on Pensions. AEIP therefore urges the EC to take enough time to investigate the social, macro - and micro – economic policy implications of an IORP II Directive before proceeding with the legislative process.	

			AEIP regrets that the proposed tools and formulas heavily rely on the opinion of credit rating agencies. Indeed, this does not only raise technical issues, such as the unclarity about the valuation of sponsor support in case of multiemployer or industry-wide pension schemes (where the scheme is backed by a whole industry and thus has a very low probability of default that is close to zero), but also will harm the accounts of unrated Small and Medium Enterprises (SMEs) in a time of financial and economic crisis, pushing SMEs and other employers to potentially refrain from providing workplace pensions which would become too expensive. It is quite surprising that the EC seems to be willing to build a supervisory regime highly dependent on the opinion of the credit rating agencies while at the same time the European Parliament ECON Committee stated that "no EU law will be permitted to refer to credit rating for regulatory purposes". AEIP stresses that the methodology proposed within the draft technical specifications requires IORPs to make too many assumptions. This gives room to a risk of "pseudo-security" and will eventually hamper the comparability of the results provided by each institution that will implement the QIS. THE HOLISTIC BALANCE SHEET: A LACKING TOOL The Holistic Balance Sheet is an interesting and intellectually appealing concept, taking in consideration the peculiarities of IORPs. However, the tool seems far from being functional and efficient and there are still many aspects which need to be clarified. We wonder whether the Holistic Balance Sheet needs to be implemented for each pension scheme or for	

			each IORP. EIOPA does not provide enough detail on how to treat multi-employer and industry-wide schemes and it is also not clear how IORPs managing more schemes should implement the proposed measures. Moreover, the items contained in the Holistic Balance Sheet are very (too) much dependent on sponsor strength and rating: sponsor support, loss absorbing capacity of the SCR and SCR for sponsor default. PROCESS AND TIME CONSTRAINTS AEIP would like to point out that there are some methodological biases in the way the QIS may be carried out in the different Member States (i.e. by one or more IORPs, actuarial firms, supervisory authorities or a combination of actors). Indeed, we believe that the excessive number of assumptions required and the overall complexity of the QIS will allow for unreliable results at this stage. Furthermore, it does not appear clear at all how the results provided by each implementing actor will be projected at national level. We thus doubt the results from each Member State will be comparable with each other (and within themselves). We also question the limited representativeness of EU Member States in this QIS. As for the clarity of the technical specifications, AEIP finds that the calculations and methodologies proposed are too burdensome, complex and often unclear (in particular for small IORPs because huge parts of them do not match the information and skill requirements for planning, controlling and operations processes of IORPs), especially in the chapters related to the original items of the Holistic Balance Sheet. Indeed, almost	

			half of the draft technical specifications text is a substantial copy-paste of the SCR and MCR modules from the Solvency II QIS5 exercise, while the crucial elements for IORPs contained in the Holistic Balance Sheet chapter, such as the valuation of steering mechanisms, need to be further developed/clarified before running the actual QIS. We thus believe that running only one QIS will not be enough to clarify all questions and to allow all stakeholders to fully grasp the impact of the different proposals and to calibrate all options. Therefore AEIP would invite EIOPA and the EC to test the proposed tools more thoroughly before proposing a new directive. Indeed, if this will be the only QIS before adopting the IORP II Directive, then it should tackle all the possible issues and be a complete and inclusive exercise. This is not the case. In addition, a QIS focused on one year accounting data is a faulty exercise which does not allow appreciating how market volatility embedded in the calculations would impact the IORPs balance sheet. AEIP would appreciate if EIOPA would allow considering more years in the QIS to better appreciate the impact of the proposed tools. AEIP regrets that the EIOPA's anticipated spreadsheet for calculating the SCR and other items, and the qualitative questionnaire, are not provided at this stage. PRUDENTIAL AND SOCIAL AND LABOUR LAW: AN UNSOLVED ISSUE There is a substantial difference between pension schemes and IORPs. We remind the EC and EIOPA that pension schemes in many Member	

			States stem from collective bargaining and thus have a social nature and are regulated by national social and labour law. The proposed Holistic Balance Sheet mixes prudential regulations and SLL, making things less clear. AEIP stresses that the long-debated "level playing field" between pension provisions is a misleading argument. The social and labour law that applies to workplace pensions (which might be broader then workplace pension managed via IORPs) differs considerably from the legal framework of the contractual agreement between an insurance companies and its consumer which is codified in civil and commercial law. Social and labour law might define a variable and adjustable security level, i.e. through steering mechanisms which are based on solidarity (i.e. the adjustment of pension benefits), which insurance contracts might not have. This is a major difference in the way workplace pension promises and insurance contracts work. Indeed, the social partners might be in position to adjust the technical provisions of the pension promise managed via an IORP on an ongoing basis thanks to their steering mechanisms. These steering mechanisms are grounded in the social nature of the relations between the sponsor undertaking and its employees and in principle can work as risk-sharing mechanisms which contain elements of inter and intra-generation solidarity. This is not possible for insurance companies, which are bound by the nature of their contractual provisions to have their technical provisions covered at any time.	

			PROPORTIONALITY AND FEASIBILITY ISSUES AEIP welcomes the fact that EIOPA considered the fundamental principle of proportionality. However, we find that the principle of proportionality is not developed in the proper way within the technical specifications proposed. The calculation proposed are excessively burdensome, complex and way beyond the average competence of IORPs across Europe due to their shortage on comparability to the data IORPs need to run their business. This will in turn hamper the participation and representativeness of the QIS. Moreover, the principle of proportionality in the technical specifications is too uncertain: it does not appear clear when it can be applied (there is actually a need to clarify when simplifications can be applied and when they cannot), and even more surprisingly, the simplifications proposed are often more burdensome than the original calculations. Finally, AEIP is convinced that there is no chance for small and medium IORPs to implement the QIS in the given timeframe without relying on external (expensive) expertise, which will generate additional costs for the IORPs and thus their members. As for the feasibility of the QIS, AEIP would also point out that the participating IORPs are requested to calculate the EBTDA and the future cash flows of their own sponsor: these are industrial and marketing skills which European IORPs do not necessarily have because they are not needed for their business. Furthermore, in order to calculate sponsors' future cash flows, there is a need to access extremely sensitive data that the sponsor might not be willing to disclose, especially in the case of multi-employer and industry-wide schemes.	

			MARKET CONSISTENCY AEIP is concerned that market consistent accounting will introduce excessive volatility in the IORPs balance sheets. This problem has not yet been solved in Solvency 2 for long term insurance contracts and the proposed dampener has not solved the problem. We welcome a common holistic approach across EU while calibration should be left to the choices of the MS and social partners, i.e. they should be free to decide if and how to implement this concept since there are 2nd pillar pension systems in EU that work well without market consistency valuation. Finally, the introduction of market consistency can be implemented in a number of ways, hampering the comparability of the QIS results. We especially regret that within the proposed technical specifications real estate is valued only as asset for sale. Real estate as long term investment provides duration and anti-inflation effects that support IORPs efforts to close the duration gap between fixed income assets and liabilities. Further on we will comment that in detail.	
4.	AGV Chemie Rhineland-Palatinate - Association of C	General Comment	AGV Chemie Rhineland-Palatinate (Association of Chemical Employers' in Rhineland-Palatinate), is the voice of the chemical employers in Rhineland-Palatinate. We represent about 130 companies employing roughly 62.700 workers. We would like to thank EIOPA for its thorough consultation exercise. However, rather than going into the details of how the QIS should be operated, we would like to make some general comments:	Noted. Resemblances with Solvency II follow from Commission's CfA EIOPA will reconsider HBS approach after

			• First of all, the proposed technical specifications are heavily inspired from Solvency II – a legislative framework designed for insurance companies. In our view this approach is totally inadequate for IORPs which follow a completely different logic (see below). • Second, the level of detail in the consultation is well beyond the capabilities of most companies sponsoring IORPs and associations representing such companies. This will lead to the fact that many interested parties, although they would be highly affected by any legislation in this area, will not be able to comment properly. AGV Chemie Rhineland-Palatinate refers to the reply of aba (Arbeitsgemeinschaft für betriebliche Altersversorgung), the organisation representing IORPs in Germany. We explicitly support aba's reply to the EIOPA consultation. • Finally, we question whether any additional solvency rules for IORPs are necessary and thus whether the QIS will serve any purpose at all. We will focus our comments in this area. 1) A level-playing field? Occupational pension systems are social schemes used by the employers and do not involve financial market products traded on the free market. Occupational pension schemes are specifically offered by employers to their employees whose representatives are frequently involved in the organisation of these schemes at occupational level. The German occupational pension system does not contain any extensive options for	the QIS

			the beneficiaries or short-term investment strategies. Rather, it is characterised by long-term benefit. Unlike financial market products, it is the employers who are liable by law for the pension commitment and other forms of occupational pension towards their employees. There is no level-playing field for the products of the financial services industry on the hand and occupational pension systems on the other. 2) Safety A special feature of the German occupational pension system is the secondary liability of the employer who is liable by law for the satisfaction of every commitment given to an employee with respect to an occupational pension. Furthermore, laws are in place in Germany to protect occupational pension schemes: depending on the method, either the Federal Financial Supervisory Authority is the supervisory body or insolvency insurance is provided by the Pensionssicherungsverein aG (PSVaG). The global financial and economic crisis was not triggered by occupational schemes. On the contrary: the occupational pension schemes – at least in Germany – survived the crisis with comparatively few scratches in view of their unique structure, the statutory requirements and precautionary measures. The stability of the schemes proved itself precisely in these times of crisis; the socio-political objectives have been and continue to be achieved. Since occupational pension schemes do not offer financial market	

			products (see above), the application of Solvency II – also in the form of a Holistic Balance Sheet (HBS) as proposed by EIOPA – to occupational pension schemes would be neither necessary nor wise. The European solvency provisions that already apply to occupational pension schemes have led to considerable financial burdens (4-fold increase in equity). Further regulations, such as incorporating occupational pension schemes into Solvency II, would increase the financial burden out of all proportion and jeopardize the objective pursued by them. The additional capital to be formed for protection purposes would be tied up and would not be available for investments and innovation which improve the competitiveness of companies and therefore secure jobs. 3) Disproportionate administrative burden The HBS would be no remedy at all: on the one hand, it is far from clear how significant the financial burden for IORPs would be in the case of applying this concept; on the other hand, the administrative burden especially for smaller occupational pension schemes would be enormous: compared to the application of Solvency II, which is already a highly complex set of rules designed specifically for the insurance sector, the additional administrative steps required by the HBS (valuation of security mechanisms such as sponsor support and pension protection schemes) would lead to even more bureaucracy and put IORPs at a clear disadvantage.	
6.	Akzo Nobel	General Comment	The consultation does not explain what the methodologies in the QIS will be used for. Nor does it address the wider implications of applying a Solvency II-type regime to pensions. Requiring defined benefit pension	Noted. Resemblances with Solvency II

			funds to be funded like insurance companies would impose very substantial burdens on sponsoring employers and would be likely to lead to further reduction or removal of defined benefit pension provision. Increasing the commonality of regulatory regimes is likely to drive common behaviours thereby increasing risk e.g. adopting similar investment strategies. In the context of the holistic balance sheet, it is difficult to understand why unfunded plans are excluded: this creates an incentive not to fund pensions.	follow from Commission's CfA HBS will be used for funding purposes, in line with Commission's objective EIOPA will reconsider HBS approach after the QIS
7.	ALCATEL- LUCENT International	General Comment	We would like to thank EIOPA for its thorough consultation exercise. However, rather than going into the details of how the QIS should be operated, we would like to make a number of general comments : - First of all, we cannot help noticing that a lot of the proposed technical specifications are heavily inspired from the Solvency 2 framework for insurance companies, even though the European Commission had said the rules for IORPs would not be just cut and paste from Solvency 2. We obviously regret this back-tracking. - Second, the level of detail in the consultation is well beyond the capabilities of most international companies who sponsor pension funds. This would probably have made sense in the financial sector where the relevant expertise is to be found. Again, this appears to show a desire to borrow from financial services regulations and apply them to pensions.	Noted. Resemblances with Solvency II follow from Commission's CfA EIOPA will reconsider HBS approach after the QIS

			Accordingly, we believe the technical specifications are designed in such a way that interested parties will not be able to comment properly. Finally and more importantly, we question whether any additional capital requirement for pension funds is required and thus whether the QIS will serve any purpose at all. We will focus our comments in this area. Indeed, we understand the motivations for instituting additional capital requirements borrowing from the Solvency 2 approach to be as follows : 1) Ensuring level-playing field with insurance companies We acknowledge some particular IORPs may be in the same situation as insurance companies offering pension services. In this particular case, capital based requirements may indeed be relevant. However, for the vast majority of IORPs, such as our company's pension fund, we believe this comparison with insurance companies is entirely inappropriate : our pension fund is not operating on the commercial market, it is not intended to make a profit. It is solely a human resource vehicle which is one component of a comprehensive package of benefits our company offers to its employees. As such, pension benefits afforded through our fund are the result of collective bargaining as part of broader labour considerations, they are not designed to compete with insurance companies. These arrangements will obviously change over time and they include important risk-sharing and risk-mitigating elements which make them very different from a private insurance contract: possibility to amend contributions paid by employees or employers, to amend benefits, to amend indexation, pension protection schemes etc. In addition, contrary to insurance companies operating various kinds of risk coverage, pension funds only cover one situation, the payment of pensions (no fire insurance, no car insurance etc). In this area, the need	

			for capital outflow is more predictable, because the date of the risk occurrence is known in advance, i.e. when an employee reaches retirement age. Therefore, market-based and volatile risk measures, like Value at Risk, seem highly inappropriate for pension scheme monitoring. The Commission could usefully consider the models that have been developed recently in other OECD countries. The United States are a good example, which our company knows well as our local subsidiary holds significant defined benefit commitments. The Pension Protection Act (PPA), amended in July 2012, aims to secure pension scheme funding. Yet its framework is neither derived from insurance regulation nor based on market-related risk measures. The PPA enhances funding requirements but allows pension schemes to use smoothed technical rates and smoothed asset value as a means to amortise market shocks and to keep a long-term view in pension management. Ideally, the Commission could also consider the different models already available within the Union and build up on this long experience together with the pension community instead of applying a Solvency II model that has not been designed for IORP in the first place. 2) Ensuring future sustainability of pensions We are not aware of any systemic risk weighing on pension payments ? It seems to us that there already are mechanisms in place to ensure pensions are duly paid by pension funds or their sponsoring companies, such mechanisms vary from one country to the next but are in line with local pension practices. For instance, for defined benefit schemes, there is an unlimited last resort guarantee from the sponsoring employer (UK, Belgium, Germany) and sometimes also a national safety net sponsored	

			by all pension schemes (UK, Germany). In addition, even assuming there was such an issue as systemic risk of pensions not being paid out, we do not see how a capital requirement would be helping towards resolution. In fact, the cure would be worth than the illness in this case : the more money companies have to tie up to pay pensions, the more their financial viability will be threatened. We believe the best form of protection to member benefits is a strong, solvent employer and confidence between contributors. We believe the attempt to impose higher solvency requirements would weaken the sponsoring employer as a Solvency 2 type regime would unnecessarily increase pension liabilities and thus funding requirements, far in excess of the actual payments required to pay out pensions. This would indeed : ☐ Significantly increase employment costs in Europe for lots of employers, as well as employee contributions; ☐ Force employers to reduce benefits or even to stop providing occupational pensions, which contradicts the objective set in the White Paper to develop occupational pensions in Europe as a remedy to declining Social Security pension schemes; ☐ Force European companies to reduce value adding and job creating investments because of unnecessary contributions into pension solvency buffers, which are likely to be irrecoverable once all pensions will be paid; ☐ Impose a significant competitive disadvantage to European	

			companies / employers in the absence of any comparable solvency regulation internationally; ☐ Force European pension funds, which are long-term investors to divest from equities, thus creating a financing issue for corporates in Europe. Therefore, we strongly believe that the existing regulatory environments in our nations provide a strong framework to protect pension scheme members and pensioners. However, we are open to improve if necessary, some qualitative criteria to reinforce confidence of all stake holders of the pension funds. 3) Facilitation of cross-border pension funds We understand the Commission would like to see more of those EU-wide pension funds. We believe those already exist in the form of a given company pooling resources together to fuel several different national funds. However, what does not exist is a pension fund operating across several countries where the level of defined benefit is the same for all those countries. While the Commission may consider this as desirable, this is not doable in a situation where tax & labour law is widely different from one EU member State to the next. Our company operates a compensation policy which is adjusted and differentiated in each of the EU countries where we operate, by virtue of the fact that market conditions are different, but more importantly that tax & labour law provisions are vastly different. Since we cannot possibly offer a harmonized package of benefits to our employees across the EU because of these differences, differentiated pension benefits follow the same logic.	

			Thus, the lack of cross-border pension funds is not caused by the absence of proper EU regulatory framework on pension funds, it is caused by fundamental disparities between the national labour markets. Further, even assuming EU regulation was required to foster cross-border pension funds, we do not see how imposing additional capital requirements would make cross-border funds any easier ? Given the above considerations, we do not see that any additional capital requirement for pension funds is required, whether drawn from Solvency 2 or otherwise. The case for reform is not clear. Therefore, we do not think it is appropriate for our company to be offering views on the QIS, since - the very purpose of the QIS and its underlying reform proposal is in doubt - the template for comments is inappropriately drawn from the financial sector.	
10.	ALSTOM Deutschland AG	General Comment	Alstom is a multinational provider of transport and power equipments with activities in more than 70 countries and 85000 employees worldwide. The Group thus runs many different pension schemes within and outside the European Union and has acquired a thorough knowledge in this area. Our answer below follows discussions held with other multinational companies about the proposed changes in the 2003 IORP Directive.	

11.	ALSTOM Ltd	General Comment	Alstom is a multinational provider of transport and power equipments with activities in more than 70 countries and 85000 employees worldwide. The Group thus runs many different pension schemes within and outside the European Union and has acquired a thorough knowledge in this area. In particular the UK has over 2 billion GBP pension liabilities. Our answer below follows discussions held with other multinational companies about the proposed changes in the 2003 IORP Directive.	
12.	Alstom SA (Group)	General Comment	Alstom is a multinational provider of transport and power equipments with activities in more than 70 countries and 85000 employees worldwide. The Group thus runs many different pension schemes within and outside the European Union and has acquired a thorough knowledge in this area. Our answer below follows discussions held with other multinational companies about the proposed changes in the 2003 IORP Directive.	
13.	Aon Hewitt	General Comment	We are a global organisation, with a significant presence in Europe and a provider of advice and services on retirement benefits to thousands of current and former employees around the world. We advise significant occupational pension plans which have millions of Euros invested around the world. We urge EIOPA and European Commission to re-think its approach to the review of the IORP Directive including this current consultation. We are extremely concerned about the potential impact of any change to legislation on the future costs of these plans and the global competitiveness of the European region. The current system is not broken - we do not see a need to fix the	Noted. Resemblances with Solvency II follow from Commission's CfA HBS will be used for funding purposes, in line with Commission's objective EIOPA will

			current method of funding, The majority of IORP pension assets in Europe are in UK and Netherlands, and we believe these are two good examples of countries which have developed, and are continuing to develop, good risk-based supervision. Other countries with lower levels of pension assets have equally sensible systems that have been established under the prudent framework required by the existing IORP Directive, and the Commission has publically stated that there is no question that systems working well will be penalised. The case has not been made for a new system which requires European companies to pay even higher levels of contributions as this could reduce our global competitiveness. The undue haste with which this QIS is being conducted heightens concerns that the Commission wishes to impose insurance style solvency standards on IORPS. There has been no public debate and discussion on the balance to be struck between greater security for members' benefits and the competitiveness of the sponsors backing those IORPS. The uncertainty around the future of pension funding could lead to critical European business decisions (such as hiring and capital investments and other investment transactions) being put on hold. All other things being equal, companies may be more likely to want to invest in countries which do not have significant pension liabilities (eg Asia), or countries which have introduced funding stabilisation (e.g. the USA). In the charitable and non-profit sectors (eg public service providers, academic and research institutions, churches), organisations with pension plans may have to consider whether to hold funds back that would otherwise be used for meeting core charitable and non-profit objectives. This could have a detrimental impact on philanthropic and other non-profit activity.	reconsider HBS approach after the QIS EIOPA considers that more QISs are needed

			The current QIS specification is rushed for no apparent purpose and casts grave doubts on the credibility of EIOPA and the Commission. In I.10.2, EIOPA has stated that the success of the QIS crucially depends on the quality of the technical specifications and the support of the occupational pensions sector. We have grave concerns that, as things currently stand, neither condition is met, and this means EIOPA has a lot of work to do in order to ensure the QIS is successful and meaningful. Given the large number of comments that we and no doubt others have made, we would hope that EIOPA is able to issue an updated version for at least one more round of consultation before going ahead with the QIS. In particular, it is clear that more time and effort is required to develop the way that the sponsor covenant is reflected. EIOPA should push back on the artificial timescale imposed by the EC. We understand that EIOPA is under pressure from the European Commission to progress the QIS as soon as possible. However, we believe that the independence and professionalism of EIOPA will be questioned if it proceeds with such an obviously flawed QIS rather than taking the time to consider properly the intended purpose of the proposed calculations, and the new elements required to apply the calculations to IORPs (particularly IORPs with the support of a sponsoring company) rather than to insurers. EIPOA should know only too well that the process of developing the QIS for insurers took a significant time, as issues were identified and addressed - indeed there are some fundamental points which have still not been resolved after seven years of discussion and five QISs! IORPS across Europe have a much greater diversity than the European insurers and this is likely to extend the timetable to develop suitable proposals, rather than compress it.	

			Consulting on the detail of the calculations before deciding on how the calculations will be used is a very poor approach. One reading of the proposals, that benefits can be reduced to make the balance sheet balance, appears to make the entire exercise pointless. It is very difficult to provide comment in these circumstances. If, as a result of the QIS, there are firm proposals with explicit implications for scheme funding we are likely to have many further comments on the details. The occupational pensions sector needs to have the confidence that the final parameters will be appropriate and, without significant change to the existing parameters and further consultation, EIOPA runs the risk that the final parameters will be heavily criticised and that they are still not suitable for the QIS. We are very concerned that this could damage the credibility and reputation of EIOPA within the occupational pensions sector. The actual technical specification is a rushed jumble of highly complex analysis lifted from Solvency II for insurers, and some heroic and arbitrary assumptions for the special circumstances of IORPS - such as covenant and the impact of inflation on benefits. This confirms our suspicions about the unnecessary speed with which this QIS is being conducted. Consideration should be given to how any new requirements might affect sponsors' international competitiveness. For example, the US Congress passed new legislation in June 2012 which allows US pension plans to use a discount rate from within a corridor of bond yields averaged over the last 25 years. Known as "funding stabilisation", this move was	

			widely supported by US industry, and was in direct response to the challenging economic environment and government actions to artificially reduce interest rates. This move eases the burden on US plan sponsors, although there are clearly implications for the security of benefits for members. We urge EIOPA and Commission to consider how their proposals compare with the US approach and consider the impact on the global competitiveness of European companies (at least relative to US companies) if local funding requirements are ultimately, as a consequence of the QIS, significantly out of line with those used by companies in the US. We note with interest that EIOPA recently hosted a meeting of the EU/US insurance dialog project, intended to increase mutual understanding and cooperation. A similar initiative would help for IORPs. The Holistic Balance Sheet does not balance! Importantly, the mechanics of the overall calculation suggest to us that, however big the sponsor is relative to the scheme, and however strong the sponsor (measured through risk of insolvency), unless the planned deficit contributions are expected to generate a surplus (and which subsequently stays in the scheme) against a risk free measure of liabilities and/or the sponsor has no credit risk (which is not possible), then the holistic balance sheet will show a shortfall. In other words the sponsor covenant can reduce the holistic balance sheet deficit but it cannot eliminate it. If the ultimate intention is to use the Level A measure proposed for funding, this means that the sponsor covenant does not remove the indicated need to more than fully fund the IOPR on a risk free basis. So, allowance for the employer covenant might as well be ignored. Alternatively, if benefits can be reduced to make the balance sheet	

			balance the whole exercise appears to be pointless. The methods posed for evaluation of employer covenant are fundamentally flawed and should be revised from first principles. An assessment of employer support should be a key part of any holistic balance sheet. Most covenant advisors (including the UK Pension Regulator, it appears) currently assess covenant on a scale of "strong" to "weak" reflecting the sponsor's long term strength relative to its financial liabilities rather than attempting to express it as a numerical value. Many European pension schemes are part of complex global companies or have multiple employers which support the pension scheme. It is not clear how such schemes would value the sponsor's covenant. Instead, we suggest that sponsor support required to cover the HBS and SCR shortfall is calculated as a balancing item. The IORP manager should then be expected to consider whether it is reasonable to rely on the sponsor to the extent required. This is consistent with the current UK approach. It avoids the need to place a numerical value on the maximum or actual sponsor covenant. This means that EIOPA avoids having to set out and justify what look like essentially arbitrary formulae dealing with covenant. It means there is flexibility to deal with IORPs with several sponsors and with companies (or groups) which sponsor several IORPs. It also avoids problems with much of the required data being difficult to derive (at least in an objective way) such as the default risk relating to unquoted or not for profit entities.	
14.	Associated British Ports	General Comment	The consultation does not explain what the methodologies in the QIS will be used for. Nor does it address the wider implications of applying a Solvency II-type regime to pensions. Requiring UK defined benefit pension funds to be funded like insurance companies would impose very substantial burdens on sponsoring employers and would be likely to lead	Noted. Resemblances with Solvency II follow from Commission's

			to further reduction or removal of defined benefit pension provision.	CfA HBS will be used for funding purposes, in line with Commission's objective EIOPA will reconsider HBS approach after the QIS
15.	Association of British Insurers	General Comment	The UK Insurance Industry The UK insurance industry is the third largest in the world and the largest in Europe. It is a vital part of the UK economy, managing investments amounting to 26% of the UK's total net worth and contributing £10.4 billion in taxes to the Government. Employing over 290,000 people in the UK alone, the insurance industry is also one of this country's major exporters, with 28% of its net premium income coming from overseas business. Insurance helps individuals and businesses protect themselves against the everyday risks they face, enabling people to own homes, travel overseas, provide for a financially secure future and run businesses. Insurance underpins a healthy and prosperous society, enabling businesses and individuals to thrive, safe in the knowledge that problems can be handled and risks carefully managed. Every day, our members pay out £147 million in benefits to pensioners and long-term savers as	Noted. Resemblances with Solvency II follow from Commission's CfA There is not enough information at this stage to specify supervisory responses and proportionality rules EIOPA will

			well as £60 million in general insurance claims. The ABI The ABI is the voice of insurance, representing the general insurance, protection, investment and long-term savings industry. It was formed in 1985 to represent the whole of the industry and today has over 300 members, accounting for some 90% of premiums in the UK. The ABI's role is to: - Be the voice of the UK insurance industry, leading debate and speaking up for insurers. - Represent the UK insurance industry to government, regulators and policy makers in the UK, EU and internationally, driving effective public policy and regulation. - Advocate high standards of customer service within the industry and provide useful information to the public about insurance. - Promote the benefits of insurance to the government, regulators, policy makers and the public. The ABI welcomes the decision to conduct a QIS with a view to better assess the proposed review of the IORP directive and the opportunity to comment on the technical specifications of the QIS. This is a necessary step in the process of the review of the IORP Directive. However the ABI would like to note that the timeline for the consultation is very short given the detailed and technical nature of the specifications.	reconsider HBS approach after the QIS EIOPA considers that more QISs are needed

			The ABI is still of the opinion that the primary objective of any changes to the IORP Directive must be to improve pension outcomes and should be in line with the Commission's objective of achieving adequate and sustainable pensions. We believe that the proposed solvency requirements would have the opposite effect and would undermine high quality pension provision if they do not accurately account for the long-term and illiquid nature of IORP liabilities as well as the protection offered to beneficiaries through the sponsor covenant and Pension Protection Fund. We remain concerned over the viability of the holistic balance sheet (HBS) approach, especially around the quantification of various mechanisms, like the sponsor covenant. It is important is that these mechanisms are sufficiently tested to ensure that they accurately reflect the economic reality faced by IORPs, even in the case that this would require more than one QIS. There are still many uncertainties in the Solvency II framework and these must be sorted out before testing the impact these rules would have on IORPs. Suitable solutions for IORPs need to account for the differences between IORPs and Insurance companies. Some adjustments to the mechanisms in the final Solvency II framework, including the package of measures for products which offer long-term guarantees, may be necessary. Given both the policy and timeline uncertainties in Solvency II the ABI questions whether this is the right point in time to be conducting a QIS for IORPs. It may be a more prudent approach to wait for more policy certainty in Solvency II before undertaking an IORP QIS,	

			acknowledging the fragility around areas like the long-term guarantees package of measures which are subject to change. The QIS only covers the quantitative aspects of the review of the IORP directive. In some instances it is impossible to comment on valuations without knowing how they would fit into the broader IORP framework. There is no detail on what length recovery plans will be or what regulatory actions will be taken should occupational schemes breach their SCR and MCR. There are over 6,000 occupational defined benefit pension schemes in the UK who will be affected by the proposed requirements in the QIS. Many of these are small schemes (with more than 100 members) who we believe are likely to struggle to meet the requirements of the QIS. The QIS is very technical and we believe it is unlikely that any but the largest will have the resources to be able to respond. It is therefore likely that the QIS will be skewed towards the implications for the larger schemes. We also note that, given the cost implications of Solvency II for insurance companies, it is important to consider the implications for the relatively larger number of IORPS: the cost benefit analysis is vital here: the benefits of applying Solvency II to occupational defined benefit pension schemes must be much more clearly articulated. Given the QIS does not address the macroeconomic implications for member State economies, we would expect the issues related to these changes would also go to consultation to give those affected opportunity to comment.	

16.	Association of Consulting Actuaries UK	General Comment	In general we believe that the consultation is flawed in that it does not address the fundamental issue of the impact of increased capital requirements. In our opinion, there is also too much "Cut and Paste" from Solvency II for insurance companies and there are many important fundamental differences between the wide variety of employer-sponsored non-commercial IORPs that are common in the EU, and commercial insurance companies. We have commented below on the areas where we believe that there are particular issues with the methodology proposed, but this should not be taken as approval for other elements of the methodology. The Solvency II regime was developed over a number of years involving five QIS exercises. Where new aspects (not previously considered for Solvency II) have been introduced, it appears that only very limited consideration has been given as to how they should be taken into account.. We are also concerned about the extremely limited timescale given for this consultation, given its importance, and we would expect that there may well be unintended consequences for non-standard cases in the application of the current formulae and approach. We would urge a greater time be taken in the consideration of the structure of the QIS and in the performance of the QIS itself. We believe that, as in the case of Solvency II for insurers, there needs to be an iterative QIS process and that the legislative timetable should reflect the need for the time to complete this iterative process. Finally we note the absence of the word "actuary" in the document and the lack of recognition or scope for the exercise of expert judgement,	Noted. Resemblances with Solvency II follow from Commission's CfA EIOPA considers that more QISs are needed

			controlled within a professional framework. Without the ability to use expert judgement from professionals specifically trained to undertake these tasks and subject to professional restrictions, the proposals must attempt to prescribe all possible elements and eventualities. This results in a disproportionate attempt to apply rules meant for the few thousand insurance companies in Europe to the much larger number of diverse IORPs, ranging from the largest defined benefit schemes with hundreds of thousands of members, to small schemes with a handful of members.	
17.	Association of French Insurers (FFSA)	General Comment	General The Association of French Insurers (FFSA) is pleased to comment on EIOPA's consultation on "draft technical specifications QIS of EIOPA's advice on the review of the IORP Directive" and welcomes the introduction of the draft technical specifications for a QIS. This is a necessary step before launching a QIS so that stakeholders have the opportunity to express themselves on technical matters. FFSA stressed on previous occasions the importance of fair competition between financial institutions, including IORPs, providing occupational pension products, and of consistency in prudential regimes. FFSA shares the Commission's assessment that the Solvency II Directive should serve as a benchmark for the review of the IORP Directive, stressing however that the lessons learned from Solvency II also need to be taken into account. Here, it should be reminded that the 5th Quantitative Impact Study of Solvency II revealed that certain parts of the framework may not be entirely appropriate. Importantly, many of the challenges made apparent by notably the QIS 5 exercise are similar for insurance undertakings and IORPs as they relate to the area of long term guarantees, including occupational pension products.	Noted Derivation of lower security levels added to technical specifications

			As a result, FFSA considers that the right approach going forward consists in solving these problems and introducing these appropriate solutions both in Solvency II and in the revised IORP Directive. Such an approach is better than trying to solve issues in one Directive and leave the problems open in the other one. In the same way, FFSA considers IORPs regulation should stay identical for article 4 and article 17 of the current directive. It is of outmost importance to keep a coherent timescale between the transitional period and the finalization of amendments to Omnibus II directive (articles 17 to 17 quater). FFSA asks to come back to the proposal as of 28 March 2012. FFSA wants to stress also that occupational pensions can be provided by insurance undertakings (it is the case in France). Therefore, it makes no sense to emphasize that occupational pension and insurance companies have nothing in common. Technical points In the right line of the objectives expressed by the Commission: - develop cross-border activities; - improve the level of protection of occupational pension beneficiaries; - make sure that a real level playing field would exist among pension stakeholders; FFSA wants to highlight a number of points particularly of importance. a) The valuation of Holistic Balance Sheet (HBS) The European Commission asked EIOPA to propose the introduction of a risk-based approach and create a sound prudential regime. The technical specifications provided by EIOPA give a global framework derived from	

			Solvency II and add the concept of the HBS. In general, FFSA welcomes a QIS to test the proposed HBS approach and the specific features related to occupational pensions. FFSA is of the opinion that occupational pensions are specific provisions. Those plans provide long term guarantees and need therefore to be adequately dealt by regulation. That state of fact can be done for occupational pension provided by pension funds or insurance companies. FFSA acknowledges the difficulties inherent to the HBS approach and especially to the quantification of security mechanisms like sponsor support. But FFSA warns EIOPA to the necessity of having a level playing field between stakeholders when considering specific security mechanisms (sponsor support, pension protection schemes, ex post reduction of benefits…). The regulation should contribute to a level playing field by introducing specificities appropriately taken into account and not putting forward a certain type of contract arrangement in some Member States. In line with the principle of 'substance over form', FFSA strongly believes that all financial institutions that provide occupational pension products should be regulated according to the risks those products present to the provider, members and beneficiaries. In order to achieve fair competition and consistency in prudential regimes, FFSA supports the application of the 'same risks, same rules and same capital requirements' principle. b) Contra-cyclical measures and latest technical specifications regarding the on-going discussions at council and parliament level FFSA strongly reaffirms the necessity of an appropriate treatment for long term guarantees. Those issues are currently discussed at the European level in the scope of the Omnibus II directive that will amend	

			Solvency II, and contra-cyclical measures go in the right direction. The artificial volatility in own funds and in solvency ratios is inherent to Solvency II in its current form. As it has been pointed out many times, this is a real hurdle to the provision of long term guarantees and adequate solutions must emerge. In the context of the trialogue between the Council, the Commission and the European Parliament, discussions are made especially on the restrictive conditions insurance contracts have to fulfill to get eligible to the Matching Adjustment (MA). As the MA is to be introduced in the IORP II QIS, FFSA reiterates its conviction that MA should be enlarged so that an economic principle would prevail instead of being contract specific. A partial application of the concept should be allowed for the highly predictable part of the assets. Otherwise, insurers will be left with artificial volatility generated by a full-mark-to-market valuation on the asset side and a mark-to-model on the liability side. c) The introduction of two different levels of best estimate To ease high volatility of results when calculating technical provisions and capital requirements due to changes in the risk free interest rate, EIOPA is proposing to evaluate a second level of technical provisions within the best estimate where 'level B' would be calculated by using an interest rate based on the expected return on assets. The proposed mechanism would not be risk free any more. FFSA is supportive of the study of the introduction of a level B based on the expected return rate of assets, as long as the same principle is developed within the Solvency II framework. Would the market consistency principle not be respected any longer, it might have the advantage to manage the effects of high volatility of solvency ratios induced by Solvency II and might improve risk management on an ALM	

			perspective since the enlargements of market spreads would then affect both the assets and liabilities. Still, the valuation principle of the best estimate should not lead for the IORPs to take excessive risks. FFSA wants also to point out the fact that technical specifications proposed by EIOPA might be too brief on the use of the level B. In the response to the Call for advice published in February 2012, EIOPA proposed the idea of having two levels of best estimate and the difference between those two levels could be covered by non financial assets like sponsor covenant. Once again, FFSA warns EIOPA on the fact that the current proposal would be dedicated to specific contract arrangements irrespectively of the principle of a level playing field sought by the Commission. If the idea of having two different levels was to connect different funding rules to the each level, propositions on the link between level B and length or other modalities of recovery plans should be deeply examined. In all cases, the funding rules should be the same for every single stakeholder and not Member State specific. d) Different confidence levels In its technical specifications, EIOPA is proposing an assessment of different confidence levels 99,5% / 97,5% / 95% and a value at risk with a one year time horizon. If the principle seems interesting, FFSA would like to mention several remarks: - First, it is not clear how EIOA will infer other security levels from the calculations on a 99,5% level. The computation of the HBS is the result of a complex process implying many assumptions and results won't be normally distributed…	

			- Second, FFSA would be keen to propose to extend the time horizon instead of modifying the confidence level. If one can consider that there is some equivalence between a multiple- years VaR @ 99,5% and a one year VaR @ X%, it would have made more sense for long term guarantees to play on the time horizon. At least, EIOPA could propose to extend the length for recovery plans. Third, should a quantile less than 99,5% be introduced in the IORP II directive, it should also apply for long term guarantees provided by insurance companies that fall under the regime of Solvency II.	
18.	Atos	General Comment	Atos has 55 000 employees in Europe and is very concerned by the negative impacts on employment and long term investment in the Union of the proposed revision of the IORP Directive. We would like to thank EIOPA for its thorough consultation exercise. However, rather than going into the details of how the QIS should be operated, we would like to make a number of general comments : - First of all, we cannot help noticing that a lot of the proposed technical specifications are heavily inspired from the Solvency 2 framework for insurance companies, even though the European Commission had said the rules for IORPs would not be just cut and paste from Solvency 2. We obviously regret this back-tracking. - Second, the level of detail in the consultation is well beyond the capabilities of most international companies who sponsor pension funds. This would probably have made sense in the financial sector where the relevant expertise is to be found. Again, this appears to show a desire to borrow from financial services regulations and apply them to pensions. Accordingly, we believe the technical specifications are designed in such a way that interested parties will not be able to comment properly.	Noted. Resemblances with Solvency II follow from Commission's CfA EIOPA will reconsider HBS approach after the QIS

			Finally and more importantly, we question whether any additional capital requirement for pension funds is required and thus whether the QIS will serve any purpose at all. We will focus our comments in this area. Indeed, we understand the motivations for instituting additional capital requirements borrowing from the Solvency 2 approach to be as follows : 1) Ensuring level-playing field with insurance companies We acknowledge some particular IORPs may be in the same situation as insurance companies offering pension services on the competitive market. However, for the vast majority of IORPs, such as our company's pension fund, we believe this comparison with insurance companies is entirely inappropriate : our pension fund is not operating on the commercial market, it is not intended to make a profit. It is solely a human resource vehicle which is one component of a comprehensive package of benefits our company offers to its employees. As such, pension benefits afforded through our fund are the result of collective bargaining as part of broader labour considerations, they are not designed to compete with insurance companies. These arrangements will obviously change over time and they include important risk-sharing and risk-mitigating elements which make them very different from a private insurance contract: possibility to amend contributions paid by employees or employers, to amend benefits, to amend indexation, pension protection schemes etc. In addition, contrary to insurance companies operating various kinds of risk coverage, pension funds only cover one situation, the payment of pensions (no fire insurance, no car insurance etc). In this area, the need for capital outflow is more predictable, because the date of the occurrence is known in advance, i.e. when an employee reaches retirement age.	

			Therefore, market-based and volatile risk measures, like Value at Risk, seem highly inappropriate for pension scheme monitoring. The Commission could usefully consider the models that have been developed recently in other OECD countries. The United States is another good example. The Pension Protection Act (PPA) of 2006, aims to secure pension scheme funding. Yet its framework is neither derived from insurance regulation nor based on market-related risk measures. The PPA enhances funding requirements but allows pension schemes to use smoothed technical rates and smoothed asset value as a means to amortise market shocks and to keep a long-term view in pension management. Ideally, the Commission could also consider the different models already available within the Union and build up on this long experience together with the pension community instead of applying a Solvency II model that has not been designed for IORP in the first place. 2) Ensuring the future sustainability of pensions We are not aware of any systemic risk weighing on pension payments. It seems to us that there already are mechanisms in place to ensure pensions are duly paid by pension funds or their sponsoring companies, such mechanisms vary from one country to the next but are in line with local pension practices. For instance, for defined benefit schemes, there is an unlimited last resort guarantee from the sponsoring employer (UK, Belgium, Germany), sometimes also a national safety net sponsored by all pension schemes (UK, Germany), or the clear possibility to cut benefits (NL). In addition, even assuming there was such an issue as systemic risk of	

			pensions not being paid out, we do not see how a capital requirement would be helping towards resolution. In fact, the cure would be worth than the illness in this case : the more money companies have to tie up to pay pensions, the more their financial viability will be threatened. We believe the best form of protection to member benefits is a strong, solvent employer and confidence between contributors. We believe the attempt to impose higher solvency requirements would weaken the sponsoring employer as a Solvency 2 type regime would unnecessarily increase pension liabilities and thus funding requirements, far in excess of the actual payments required to pay out pensions. This would indeed : - Significantly increase employment costs in Europe for lots of employers, as well as employee contributions; - Force employers to reduce benefits or even to stop providing occupational pensions, which contradicts the objective set in the White Paper to develop occupational pensions in Europe as a remedy to declining Social Security pension schemes; - Force European companies to reduce value adding and job creating investments because of unnecessary contributions into pension solvency buffers, which are likely to be irrecoverable once all pensions will be paid; - Impose a significant competitive disadvantage to European companies / employers in the absence of any comparable solvency regulation internationally; - Force European pension funds, which are long-term investors to divest from equities and eventually also from corporate bonds, thus creating a financing issue for corporates in Europe.	

			Therefore, we strongly believe that the existing regulatory environments in our nations provide a strong framework to protect pension scheme members and pensioners. However, we are open to improve if necessary, some qualitative criteria to reinforce confidence of all stake holders of the pension funds. 3) Facilitation of cross-border pension funds We understand the Commission would like to see more of those EU-wide pension funds. We believe those already exist in the form of a given company pooling resources together to fuel several different national funds. However, what does not exist is a pension fund operating across several countries where the level of defined benefit is the same for all those countries. While the Commission may consider this as desirable, this is not doable in a situation where tax & labour law is widely different from one EU member State to the next. Our company operates a compensation policy which is adjusted and differentiated in each of the EU countries where we operate, by virtue of the fact that market conditions are different, but more importantly that tax & labour law provisions are vastly different. Since we cannot possibly offer a harmonized package of benefits to our employees across the EU because of these differences, differentiated pension benefits follow the same logic. Thus, the lack of cross-border pension funds is not caused by the absence of proper EU regulatory framework on pension funds, it is	

			caused by fundamental disparities between the national labour markets. Further, even assuming EU regulation was required to foster cross-border pension funds, we do not see how imposing additional capital requirements would make cross-border funds any easier ? Given the above considerations, we do not see that any additional capital requirement for pension funds is required, whether drawn from Solvency 2 or otherwise. The case for reform is not clear. Therefore, we do not think it is appropriate for our company to be offering further detailed views on the QIS, since - the very purpose of the QIS and its underlying reform proposal is in doubt - the template for comments is inappropriately drawn from the financial sector.	
20.	Balfour Beatty plc	General Comment	We are surprised and disappointed by the complexity and rigidity of the QIS technical specification, which falls far short of including the "appropriate changes to reflect the nature of IORPs" that the Commission had led us to expect. Whilst we welcome the decision to consult on the technical specification, we also regret that, once again, the timescale for consulting is unrealistically short given the importance and complexity of the subject . We are very concerned that the scope of the QIS consultation, in its	Noted. EIOPA will reconsider HBS approach after the QIS There is not enough information at this stage to

			focus on the technical construction of the Holistic Balance Sheet, gives insufficient weight to the hugely important issue of the supervisory regime surrounding the proposed requirements. This is absolutely critical, because it will determine the impact on IORPs and their sponsors, and hence also on jobs, investment behaviours, systemic risk and the impact on future pension provision and national budgets. No quantitative impact assessment can be complete without significant work in this area, including a consultation. IORPs cannot be expected to articulate their own responses to the new requirements until they know the regulatory regime that will surround it. As a further general point, we feel very strongly that the approach reflected in the QIS consultation is inconsistent with the situation that the UK occupational pension sector finds itself in. Pension provision, and defined benefit occupation pension provision in particular, is in serious decline and this issue is highly likely to have serious economic and social consequences in the decades ahead. Most DB liabilities are 'legacy' in nature, in that they relate mainly to past periods of employment and members who have no current relationship to the sponsor. We believe that a sense of balance has been lost between protecting the accrued rights of past generations of employees and providing the environment that encourages greater pension provision for the current and future generations of employees. However well-intentioned, the imposition of a much more onerous solvency regime for IORPs risks making this situation much worse. The result will be to exacerbate the inter-generational inequalities that are already emerging in pension provision, and to raise the risk of serious economic and social outcomes. The QIS technical specification appears to us to involve calculations that	specify supervisory responses

			are far too complex for all but the largest IORPs. We are concerned about the SCR as a particular example of an area of the proposals that does not recognise the current situation of UK IORPs. The majority of UK IORPs are 'closed' to new entrants and 'on a journey' to settlement – through the final discharge of their remaining liabilities by buying out with one or more insurers. Unlike insurance companies, UK IORPs do not exist to transact business for profit. As soon as they reach the level of funding at which they could pass their liabilities to the insurance market, they will do so. Sponsors are, in general, funding the shortfalls in their pension plans as quickly as they can reasonably afford. The SCR appears therefore to be of only theoretical relevance to members and sponsors, as it would have no impact on the sponsor's actions or on the level of security for IORP members. A highly complex calculation then for no practical purpose.	
21.	Barnett Waddingham LLP	General Comment	Barnett Waddingham LLP welcomes the opportunity to respond to EIOPA regarding its consultation paper on draft technical specifications for the Quantitative Impact Study (QIS) of EIOPA's advice to the European Commission on the Review of the IORP Directive. We are the largest actuarial independent partnership in the UK, and are wholly owned and managed by our 54 partners. Our core business is the provision of actuarial and investment consultancy services to pension scheme employers and trustees, as well as administration and pension scheme management services.	Noted. EIOPA will reconsider HBS approach after the QIS EIOPA considers that more QISs are needed

			Overall we are extremely concerned that the consultation focuses on the technical details of policy options which have yet to be decided. We are not convinced that EIOPA and the European Commission have sufficiently demonstrated the need, and rationale, for the holistic balance sheet and capital requirement approach. While we have provided responses to the questions asked, we do not agree with the principles underpinning the QIS and urge EIOPA to go back to first principles and design an IORPs directive specifically for pension schemes. Calculation details should not be the focus at such an early stage, before due attention has been given to alternatives and the impact on IORPs in terms of increased capital requirements. We do not believe that results provided by supervisory authorities based on aggregate data will be sufficient to assess the impact of policy options, while the cost to an IORP of participating in the study voluntarily will be out of reach of all but the very largest pension schemes. The majority of defined benefit pension schemes in the UK are below around £20m in size and these schemes are unable to have the resources necessary to undertake the QIS, let alone provide this information on a regular basis. The benefit to small IORPs of the proposals is likely to be significantly outweighed by the costs of compliance and we urge EIOPA to consider raising the threshold for compliance from the current IORP directive's 100 members. Finally, we are disappointed that a full consultation period is not available given the length and technical nature of the consultation. We understand that the implementation of Solvency II for insurers has so far	

			taken 5 QISs and a number of public consultations and would urge EIOPA and the European Commission not to rush to implement a new IORP Directive without giving the proposals the same level of scrutiny.	
22.	BASF SE	General Comment	We welcome the initiative of EIOPA to perform quantitative impact assessments, since this will contribute to a better transparency related to the review of the IORP directive and avoid unintended adverse consequences. Furthermore, we welcome the opportunity to provide our comments to this consultation. However, we have many concerns with regard to the content and the underlying process: 1. We question the necessity to review the IORP-directive. Occupational pension markets are related to national social security systems as to their structure and benefit level. Synergies from investing pension assets can and currently are – even on a global basis – already exploited even if the IORPs of a group remain separate and are not merged in one single-pan-European pension fund. 2. The EU Commission announced several times that "any new supervisory system for IORPs should not undermine the supply or the cost-efficiency of occupational retirement provision in the EU." It does not require an over-engineered QIS to reach the conclusion that solvency II-like capital requirements based on December 2011 yield levels will drastically increase the capital requirements and therefore reduce the supply or the cost-efficiency of the occupational retirement provision in the EU. 3. By means of the HBS (Holistic Balance Sheet), EIOPA made a proposal for a harmonised quantitative risk-based supervisory	Noted. Resemblances with Solvency II follow from Commission's CfA EIOPA will reconsider HBS approach after the QIS EIOPA agrees more QISs are needed

			framework. We believe that in practice this proposal would overburden IORPs as well as the national supervisory authorities. There are significant differences between pension systems in the EU, such as the form of the pension promise, the security level (based on SLL (Social and Labour Law) requirements, among others), involvement of social partners etc. As a consequence, such differences make it very difficult to introduce one harmonised "one size fits all" supervisory framework for different pension systems. Furthermore, trying to take as many differences as possible into consideration would create insurmountable complexity for IORPs and the supervisory authorities. We are of the opinion that the responsibility for setting the detailed rules for supervision of IORPs should remain at the Member State level. Since IORPs provide pensions subject to SLL and because the pensions provided by them are meant to supplement social security pension benefits, harmonisation of rules should be left to Member States. In addition, security levels vary widely across Europe, since pensions offered by IORPs are based on a wide dispersion of state pensions (first pillar) and fiscal treatments. Harmonisation cannot be achieved without simultaneously harmonising SSL and first pillar pensions, a step that is so far considered undesirable by most or all European parties. 4. The IORP review will have a major impact on occupational pensions in Europe. Against this background, we consider the time schedule as completely inadequate for a careful consideration of the complex issues raised in this consultation. Solvency II framework has been in development over 10 years and has taken five QIS exercises so far. Nevertheless, the impact of Solvency II on long-term guarantees is still under discussion. The issues for IORP are at least as complex as for insurance companies. EIOPA should advise the EU Commission that additional Quantitative Impact Studies will be necessary in order to fully evaluate the impact of a new regulatory framework for IORPs.	

			5. Furthermore, we believe that the EU Commission exceeds its competencies by adopting the holistic balance sheet approach to IORPs: ☐ Legal limits to measures of the EU follow from the fact that the organisation of the pension systems falls into the primary field of competence of the Member States. In this respect, the power of the Member States to organise the pension systems also comprises their financing basis. Therefore, an amendment to the IORP-Directive based on Art. 53 para. 1, Art. 62 and Art. 114 TFEU must not significantly affect the financial equilibrium of IORPs organised under national law. ☐ The limits to the use of competences imposed on the EU point in the same direction: With regard to the principle of subsidiarity it has to be noted that activities at the level of the Union can only be taken and justified if they lead to additional value beyond the IORP supervision at member state level. However we cannot see how Solvency II would result in added value. In contrast, we fear that it would destroy the current structures for occupational pensions in the member states. In addition, given the variety of structures of the IORPs in the member states, a self-consistent system of rules cannot be achieved by detailed EU-wide regulatory framework as long as an exact interlocking of the European set of rules with each individual national system – therefore, also with the different national security mechanisms for the protection of the persons entitled to retirement benefits – does not take place. 6. Finally, we would like to emphasize that the Solvency II Directive should not be the starting point of any modification of the IORP Directive, since there exist essential differences between IORPs and insurance companies: ☐ IORPs have a social dimension providing occupational pension schemes that match the 1st pillar pensions which on their own prove not to be sufficient to secure old age income.	

			☐ IORPs are a means to provide remuneration to the employees for their service with the sponsoring companies and, in addition, a means of the company's social policy towards its employees. Therefore, IORPs do not provide products that are sold on the private third pillar insurance market. Therefore, IORPs have a different internal logic than market-driven selling of insurance products. ☐ IORPs – mostly – are not-for-profit institutions – they do not have to remunerate shareholders, ☐ Occupational schemes provide a wider coverage, especially through collective agreements, as opposed to individual voluntary solutions. Such industry-wide pension schemes tend to be administered by IORPs. ☐ Other IORPs have no or very few staff members and the sponsor(s) rely on corporate personnel to manage the scheme. There is evidence that IORPs are characterized by great efficiency and by low internal costs, in particular due to the fact that almost all the employees in a given company or sector are covered. In view of the sustainability and affordability of occupational schemes, these characteristics should not be put at risk. ☐ IORPs are funding vehicles where the interests of the scheme's board/management are broadly aligned with the scheme members and beneficiaries. There is generally no conflict over the pursuit of a profit by the scheme at the expense of its members and beneficiaries. ☐ The governance structure of IORPs is characterized by the involvement of social partners, the role of trustees (and/or persons carrying out similar fiduciary responsibilities) and the backing of the employer. ☐ Solidarity is often a further core element of occupational pension	

			schemes. Members' contributions are mostly calculated regardless of the age, gender and specific occupational risks. A further element of solidarity is the compulsory participation that prevents participants from leaving the scheme as is the case with individual and voluntary solutions. ☐ IORPs have specific built-in security mechanisms that ensure the benefit security of pension schemes. Some pension schemes allow contributions from the sponsor and main benefit parameters to be modified by the employers and the employees' representatives. ☐ For DB- and hybrid DB/DC schemes, in at least some Member States, employers have the ultimate responsibility for fulfilling the pension promise. A very important aspect is the long-term investment perspective of IORPs since they administer solely pensions. Therefore, long-term developments are more important than the short-term distortions that have to be considered under the Solvency II regime.	
23.	BAVC (German Federation of Chemical Employers)	General Comment	BAVC (Federation of Chemical Employers' Associations; Bundesarbeitgeberverband Chemie) is the voice of the German chemical employers. BAVC represents about 1.900 companies employing roughly 550.000 workers. We would like to thank EIOPA for its thorough consultation exercise. However, rather than going into the details of how the QIS should be operated, we would like to make some general comments: • First of all, the proposed technical specifications are heavily inspired from Solvency II – a legislative framework designed for insurance companies. In our view this approach is totally inadequate for IORPs which follow a completely different logic (see below).	Noted. Resemblances with Solvency II follow from Commission's CfA EIOPA will reconsider HBS approach after the QIS

			• Second, the level of detail in the consultation is well beyond the capabilities of most companies sponsoring IORPs and associations representing such companies. This will lead to the fact that many interested parties, although they would be highly affected by any legislation in this area, will not be able to comment properly. BAVC refers to the reply of aba (Arbeitsgemeinschaft für betriebliche Altersversorgung), the organisation representing IORPs in Germany. We explicitly support aba's reply to the EIOPA consultation. • Finally, we question whether any additional solvency rules for IORPs are necessary and thus whether the QIS will serve any purpose at all. We will focus our comments in this area. 1) A level-playing field? Occupational pension systems are social schemes used by the employers and do not involve financial market products traded on the free market. Occupational pension schemes are specifically offered by employers to their employees whose representatives are frequently involved in the organisation of these schemes at occupational level. The German occupational pension system does not contain any extensive options for the beneficiaries or short-term investment strategies. Rather, it is characterised by long-term benefit. Unlike financial market products, it is the employers who are liable by law for the pension commitment and other forms of occupational pension towards their employees. There is no level-playing field for the products of the financial services industry on	

			the hand and occupational pension systems on the other. 2) Safety A special feature of the German occupational pension system is the secondary liability of the employer who is liable by law for the satisfaction of every commitment given to an employee with respect to an occupational pension. Furthermore, laws are in place in Germany to protect occupational pension schemes: depending on the method, either the Federal Financial Supervisory Authority is the supervisory body or insolvency insurance is provided by the Pensionssicherungsverein aG (PSVaG). The global financial and economic crisis was not triggered by occupational schemes. On the contrary: the occupational pension schemes – at least in Germany – survived the crisis with comparatively few scratches in view of their unique structure, the statutory requirements and precautionary measures. The stability of the schemes proved itself precisely in these times of crisis; the socio-political objectives have been and continue to be achieved. Since occupational pension schemes do not offer financial market products (see above), the application of Solvency II – also in the form of a Holistic Balance Sheet (HBS) as proposed by EIOPA – to occupational pension schemes would be neither necessary nor wise. The European solvency provisions that already apply to occupational pension schemes have led to considerable financial burdens (4-fold increase in equity).	

			Further regulations, such as incorporating occupational pension schemes into Solvency II, would increase the financial burden out of all proportion and jeopardize the objective pursued by them. The additional capital to be formed for protection purposes would be tied up and would not be available for investments and innovation which improve the competitiveness of companies and therefore secure jobs. 3) Disproportionate administrative burden The HBS would be no remedy at all: on the one hand, it is far from clear how significant the financial burden for IORPs would be in the case of applying this concept; on the other hand, the administrative burden especially for smaller occupational pension schemes would be enormous: compared to the application of Solvency II, which is already a highly complex set of rules designed specifically for the insurance sector, the additional administrative steps required by the HBS (valuation of security mechanisms such as sponsor support and pension protection schemes) would lead to even more bureaucracy and put IORPs at a clear disadvantage.	
24.	Bayer AG	General Comment	Bayer still strongly believes, that the proposed quantitative framework, which is more or less a "copy-and-paste"-approach from Solvency II, only taking additionally sponsor support (the concrete method and amount is still unclear) and pension protection schemes (still unclear if at all) into account, is by no means suitable for determining capital requirements of IORP's. Due to the short term orientation of the approach (pure mark-to-market valuations, model based on only one business period, high volatility of results etc.) it does not fit to the	Noted. Resemblances with Solvency II follow from Commission's CfA EIOPA will

			extremely long-term oriented business of (especially German) IORP's. Also the calculation methods are by far too complicated. The majority of German IORP's will not be able to perform theses without an undue amount of additional costs (stemming e.g. from external consultants needed to do the calculations). Given the – often quite simple – nature of the business structure of theses IORP's this methodology is by far over-engineered. Due to the missing fit to IORP's and due to the lack of clarity, how sponsor support and pension protection schemes will be concretely taken into account, we are very much concerned, that the application of this inappropriate approach will make occupational pensions more expensive and less attractive for the employer, and hence will seriously endanger the whole landscape of occupational pensions. Hereby one has to take into account, that occupational pensions usually are voluntary benefits that employers grant to their employees and that IORP's in many cases are organized in a way, that they are financed in a solidary manner by employees and employers. In many cases also the profits, an IORP is gaining, are only for the benefit of the future and current beneficiaries. Any solvency ruling, that will make IORP's either more expensive for the employer or that will bind more of the employers capital, that could be used by the employer for his operative businesses otherwise, will significantly reduce the attractiveness of the respective IORP for the employer. So, in this case the employers will in future offer forms of occupational pensions (if at all), that leave their employees with much more uncertainty than today. So, it is to be expected, that the application of this methodology for determining capital requirements will definitively weaken occupational pensions in Europe, and hence will turn-out to be politically counter-productive to the targets, that have been defined in the Whitebook. A less in security from the beneficiaries point	reconsider HBS approach after the QIS

			of view will be the consequence and not more security (and a higher spread of occupational pensions in Europe), as it was intended by the EU commission. So we urge you, to stop this whole approach and to rethink the whole issue seriously and thoroughly! Additionally it should be mentioned, that the time schedule of conducting the QIS at the end of the year is more than unfortunate, since the most responsible people involved are usually tied up with different issues at this particular time of the year. To carry out the QIS e.g. in March/April 2013 would be a very much better timing.	
25.	Bayerischer Industrieverband Steine und Erden e.V.	General Comment	Despite the serious reservations expressed by all Member States concerned as well as national and European social partners, the planned quantitative impact study (QIS) also shows that the considerations of EIOPA and the Commission continue to be based on capital requirements for insurance companies (Solvency II). With regard to our fundamental criticism of the application of Solvency II to institutions for occupational retirement provision (IORP), we refer to the input for the EIOPA consultation on EIOPA's draft response to the Commission's call for advice of the Bundesvereinigung der Deutschen Arbeitgeberverbände (BDA) dated 2 January 2012. The proposed specifications demonstrate very clearly that this criticism is justified. Even if we formulate a position on details of this draft, we maintain our fundamental criticism. The draft for the QIS technical specifications confirms that the considerations not only of the European Commission but also of EIOPA amount to a full harmonisation of the planned supervision regime for IORP. Yet a fundamental discussion on whether such full harmonisation	Noted. Resemblances with Solvency II follow from Commission's CfA EIOPA will reconsider HBS approach after the QIS

			designed for insurance companies is necessary or could potentially be harmful has not even been announced let alone concluded. A tailor-made European supervision regime for occupational retirement provision oriented primarily on minimum standards and the principle of subsidiarity is clearly more appropriate for coming to grips with the specific characteristics of occupational retirement provision. The scale and complexity of the proposed QIS specifications demonstrate how serious the effects of applying Solvency II capital requirements to IORP would be. Setting aside the possible quantitative impact, IORP and the companies they serve would be burdened with considerable bureaucracy. It is clear that IORP would have to hold more capital as a result of risk-based capital requirements. The holistic balance sheet approach (HBS approach) proves to be poorly suited to taking adequate account of the specific characteristics of occupational retirement provision and in particular to preventing additional burdens. _______________________ The proposed technical specifications are heavily inspired from the Solvency II framework for insurance companies, even though the Commission had said the rules for IORPs would not be just copied and pasted from Solvency II. We regret this back-tracking. The level of detail and complexity of the QIS is beyond the capabilities of most sponsoring companies and their IORPs. This might make sense in the insurance sector where the relevant expertise is available. This appears to show a desire to borrow from insurance industry regulations and apply them to occupational pensions. Accordingly the technical specifications are designed in such a way that sponsoring companies will have difficulties to answer or will not be able to comment properly.	

			If that what is shimmering through this QIS concept becomes the blueprint for a new supervisory regime under the new IORP II Directive there is a significant risk to undermine the future motivation of sponsoring employers in the MS to set up and to use IORPs in future. The revision of the IORP Directive – and especially this consultation - is a very technical exercise. It is important to realise that the technicalities are very important, but they should be subordinate to the overall long term goals of the European Pension Policy. First comments of big European companies who sponsor their own pension funds as HR vehicles indicate that this exercise and its complexity is well beyond their capabilities. A new IORP Directive should not provide an incentive to scale back second pillar pension provision or to move the pensions outside the scope of the IORP Directive (moving back to first pillar pensions, shift to book reserves or individual defined contribution schemes). This is undesirable, given the fact that only 40% of the European employees is currently participating in a supplementary pension scheme and given the need of more supplementary pensions in Europe (see also EC White Paper on Pensions). Excessive supervision of the second pillar IORPs will increase the pressure on the first pillar, which is according to the Commission already under stress in many countries. The representativeness of the QIS is insufficient for an IORP II proposal by the EC (see question 1). Furthermore, in some of the eight participating Member States the QIS will not be performed by IORPs, but by supervisory authorities which are using aggregate data (or it is done by actuarial firms on behalf of the supervisory authority). However, it is our opinion that EIOPA and the Commission can only have a good indication of the real impact when the QIS will be performed by IORPs	

			(instead of hypothetical schemes). The use of aggregated data makes the comparison between funds and countries meaningless and it will be very hard for EIOPA to have an adequate overview of the sensitivity to the assumptions. The time-schedule is too tight. Supervisors and the pension sector have very limited experience with the concept and the valuation of the holistic balance sheet. When stakeholders have more time to react on the technical standards, this certainly will improve the quality of the response and so the final technical standards. We do not see the added value of shortening the consultation period due to the imposition of an external timetable (I.10.1). The advantage of a better response and so better technical standard will definitely outweigh the benefit of a faster determination of the technical standards.	
26.	BDA Bundesvereinigung der Deutschen Arbeitgeberver	General Comment	Despite the serious reservations expressed by all Member States concerned as well as national and European social partners, the planned quantitative impact study (QIS) also shows that the considerations of EIOPA and the Commission continue to be based on capital requirements for insurance companies (Solvency II). With regard to our fundamental criticism of the application of Solvency II to institutions for occupational retirement provision (IORP), we refer to the input for the EIOPA consultation on EIOPA's draft response to the Commission's call for advice of the Bundesvereinigung der Deutschen Arbeitgeberverbände (BDA) dated 2 January 2012. The proposed specifications demonstrate very clearly that this criticism is justified. Even if we formulate a position on details of this draft, we maintain our fundamental criticism.	Noted. Resemblances with Solvency II follow from Commission's CfA EIOPA will reconsider HBS approach after the QIS

			The draft for the QIS technical specifications confirms that the considerations not only of the European Commission but also of EIOPA amount to a full harmonisation of the planned supervision regime for IORP. Yet a fundamental discussion on whether such full harmonisation designed for insurance companies is necessary or could potentially be harmful has not even been announced let alone concluded. A tailor-made European supervision regime for occupational retirement provision oriented primarily on minimum standards and the principle of subsidiarity is clearly more appropriate for coming to grips with the specific characteristics of occupational retirement provision. The scale and complexity of the proposed QIS specifications demonstrate how serious the effects of applying Solvency II capital requirements to IORP would be. Setting aside the possible quantitative impact, IORP and the companies they serve would be burdened with considerable bureaucracy. It is clear that IORP would have to hold more capital as a result of risk-based capital requirements. The holistic balance sheet approach (HBS approach) proves to be poorly suited to taking adequate account of the specific characteristics of occupational retirement provision and in particular to preventing additional burdens. ___________________________ The proposed technical specifications are heavily inspired from the Solvency II framework for insurance companies, even though the Commission had said the rules for IORPs would not be just copied and pasted from Solvency II. We regret this back-tracking. The level of detail and complexity of the QIS is beyond the capabilities of most sponsoring	

			companies and their IORPs. This might make sense in the insurance sector where the relevant expertise is available. This appears to show a desire to borrow from insurance industry regulations and apply them to occupational pensions. Accordingly the technical specifications are designed in such a way that sponsoring companies will have difficulties to answer or will not be able to comment properly. If that what is shimmering through this QIS concept becomes the blueprint for a new supervisory regime under the new IORP II Directive there is a significant risk to undermine the future motivation of sponsoring employers in the MS to set up and to use IORPs in future. The revision of the IORP Directive – and especially this consultation - is a very technical exercise. It is important to realise that the technicalities are very important, but they should be subordinate to the overall long term goals of the European Pension Policy. First comments of big European companies who sponsor their own pension funds as HR vehicles indicate that this exercise and its complexity is well beyond their capabilities. A new IORP Directive should not provide an incentive to scale back second pillar pension provision or to move the pensions outside the scope of the IORP Directive (moving back to first pillar pensions, shift to book reserves or individual defined contribution schemes). This is undesirable, given the fact that only 40% of the European employees is currently participating in a supplementary pension scheme and given the need of more supplementary pensions in Europe (see also EC White Paper on Pensions). Excessive supervision of the second pillar IORPs will increase the pressure on the first pillar, which is according to the Commission already under stress in many countries. The representativeness of the QIS is insufficient for an IORP II proposal	

			by the EC (see question 1). Furthermore, in some of the eight participating Member States the QIS will not be performed by IORPs, but by supervisory authorities which are using aggregate data (or it is done by actuarial firms on behalf of the supervisory authority). However, it is our opinion that EIOPA and the Commission can only have a good indication of the real impact when the QIS will be performed by IORPs (instead of hypothetical schemes). The use of aggregated data makes the comparison between funds and countries meaningless and it will be very hard for EIOPA to have an adequate overview of the sensitivity to the assumptions. The time-schedule is too tight. Supervisors and the pension sector have very limited experience with the concept and the valuation of the holistic balance sheet. When stakeholders have more time to react on the technical standards, this certainly will improve the quality of the response and so the final technical standards. We do not see the added value of shortening the consultation period due to the imposition of an external timetable (I.10.1). The advantage of a better response and so better technical standard will definitely outweigh the benefit of a faster determination of the technical standards.	
27.	BdS – Bundesverband der Systemgastronomie e.V.	General Comment	Despite the serious reservations expressed by all Member States concerned as well as national and European social partners, the planned quantitative impact study (QIS) also shows that the considerations of EIOPA and the Commission continue to be based on capital requirements for insurance companies (Solvency II). With regard to our fundamental criticism of the application of Solvency II to institutions for occupational retirement provision (IORP), we refer to the input for the EIOPA	Noted. Resemblances with Solvency II follow from Commission's CfA

			consultation on EIOPA's draft response to the Commission's call for advice of the Bundesvereinigung der Deutschen Arbeitgeberverbände (BDA) dated 2 January 2012. The proposed specifications demonstrate very clearly that this criticism is justified. Even if we formulate a position on details of this draft, we maintain our fundamental criticism. The draft for the QIS technical specifications confirms that the considerations not only of the European Commission but also of EIOPA amount to a full harmonisation of the planned supervision regime for IORP. Yet a fundamental discussion on whether such full harmonisation designed for insurance companies is necessary or could potentially be harmful has not even been announced let alone concluded. A tailor-made European supervision regime for occupational retirement provision oriented primarily on minimum standards and the principle of subsidiarity is clearly more appropriate for coming to grips with the specific characteristics of occupational retirement provision. The scale and complexity of the proposed QIS specifications demonstrate how serious the effects of applying Solvency II capital requirements to IORP would be. Setting aside the possible quantitative impact, IORP and the companies they serve would be burdened with considerable bureaucracy. It is clear that IORP would have to hold more capital as a result of risk-based capital requirements. The holistic balance sheet approach (HBS approach) proves to be poorly suited to taking adequate account of the specific characteristics of occupational retirement provision and in particular to preventing additional burdens.	EIOPA will reconsider HBS approach after the QIS

			The proposed technical specifications are heavily inspired from the Solvency II framework for insurance companies, even though the Commission had said the rules for IORPs would not be just copied and pasted from Solvency II. We regret this back-tracking. The level of detail and complexity of the QIS is beyond the capabilities of most sponsoring companies and their IORPs. This might make sense in the insurance sector where the relevant expertise is available. This appears to show a desire to borrow from insurance industry regulations and apply them to occupational pensions. Accordingly the technical specifications are designed in such a way that sponsoring companies will have difficulties to answer or will not be able to comment properly. If that what is shimmering through this QIS concept becomes the blueprint for a new supervisory regime under the new IORP II Directive there is a significant risk to undermine the future motivation of sponsoring employers in the MS to set up and to use IORPs in future. The revision of the IORP Directive – and especially this consultation - is a very technical exercise. It is important to realise that the technicalities are very important, but they should be subordinate to the overall long term goals of the European Pension Policy. First comments of big European companies who sponsor their own pension funds as HR vehicles indicate that this exercise and its complexity is well beyond their capabilities. A new IORP Directive should not provide an incentive to scale back second pillar pension provision or to move the pensions outside the scope of the IORP Directive (moving back to first pillar pensions, shift to book reserves or individual defined contribution schemes). This is undesirable, given the fact that only 40% of the European employees is currently participating in a supplementary pension scheme and given the need of more supplementary pensions in	

			Europe (see also EC White Paper on Pensions). Excessive supervision of the second pillar IORPs will increase the pressure on the first pillar, which is according to the Commission already under stress in many countries. The representativeness of the QIS is insufficient for an IORP II proposal by the EC (see question 1). Furthermore, in some of the eight participating Member States the QIS will not be performed by IORPs, but by supervisory authorities which are using aggregate data (or it is done by actuarial firms on behalf of the supervisory authority). However, it is our opinion that EIOPA and the Commission can only have a good indication of the real impact when the QIS will be performed by IORPs (instead of hypothetical schemes). The use of aggregated data makes the comparison between funds and countries meaningless and it will be very hard for EIOPA to have an adequate overview of the sensitivity to the assumptions. The time-schedule is too tight. Supervisors and the pension sector have very limited experience with the concept and the valuation of the holistic balance sheet. When stakeholders have more time to react on the technical standards, this certainly will improve the quality of the response and so the final technical standards. We do not see the added value of shortening the consultation period due to the imposition of an external timetable (I.10.1). The advantage of a better response and so better technical standard will definitely outweigh the benefit of a faster determination of the technical standards.	
28.	Belgian Association of	General	We would like first and foremost express our concern about the very	Noted.

	Pension Institutions (BVPI-	Comment	short timeframe (only 6 weeks, during the holiday period) of this consultation contrary to the three month's period which is normally applied for EIOPA's consultations. We do not understand why the project is pushed in such a hurry. Next to this we regret that there will be only one QIS, beceause in our view this QIS is too complicated for a first impact study and not detailed enough to be a final study. In our view relevant data are necessary in order to have a proper analysis of the impact. If, as announced by the European Commission, only one QIS will be run, a good calibration of all parameters will be extremely difficult. Therefore we call for carrying out the number of quantitative impact studies that is needed in order to come up with a sound and flexible framework. In general we regret the plans to implement a new prudential approach based on the concepts of the holistic balance sheet and the capital requirements. Given the degree of detail of the approach, we believe this will have a serious cost impact. Increasing the costs and the administrative burden for the second pillar pension plans will have a negative impact on second pillar pensions and its further generalization. Next to the administrative burden the proposed concepts will bring to the IORP, we do also strongly fear the negative impact of the preparedness of the employers to provide occupational pensions to their employees (possible impact on their statutory balance sheet required by the auditors, extra cost and administrative burden, introduction of capital requirements in a dedicated not-for-profit institution, etc.)	EIOPA will reconsider HBS approach after the QIS Proportionality section has been simplified EIOPA agrees more QISs are needed

			For Belgian IORPs this QIS will be a very difficult and burdensome exercise to complete and will cost a disproportional amount of money, notwithstanding the propositions regarding simplifications based on proportionality. Experts with the appropriate knowledge and experience, a combination of IORP knowledge and Solvency II experience, are still scarce. In our opinion the requirements for proportionality are too complex. The proposed process in order to apply proportionality seems to be more labour-intensive than making the requested calculations. As well for this QIS as for its later implementation, these complex models will result in higher calculation costs which finally might result in less retirement benefits for the members - and this with currently a very good regulation in place.	
29.	Berendsen plc	General Comment	The consultation does not explain what the methodologies in the QIS will be used for, nor does I t address the wider implications of applying a Solvency II-type regime to pensions. Requiring UK defined benefit pension further be funded like insurance companies would impose very substantial burdens on sponsoring employers and would likely lead to further reduction or removal of defined benefit pension provision.	Noted. HBS will be used for funding purposes, in line with Commission's objective EIOPA will reconsider HBS approach after the QIS
30.	BlackRock	General	BlackRock is pleased to have the opportunity to respond to the European	Partially agreed.

		Comment	Insurance and Occupational Pensions Authority's (EIOPA) Consultation on Draft Technical Specifications QIS of EIOPA's Advice on the Review of the IORP Directive (the "Consultation"). BlackRock manages about €280 billion of assets for more than 1,400 European pension schemes, including defined benefit schemes, defined contribution schemes and 67 national pension reserve funds, in a number of European countries including Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Spain, Sweden, and the UK. We summarise our views on the Consultation below and comment on certain issues raised by the Consultation. BlackRock supports the principles set out in the consultation on the valuation of sponsor support and pension protection schemes. We do not believe, however, that the complexity of the calculations can be justified without knowing the outcomes that will be required. Similarly, it is difficult to evaluate whether the draft technical specifications provide enough guidance without greater insight into the role of the holistic balance sheet approach and how it might operate and be used in practice. Moreover, we remain concerned that the administrative burden will be unacceptably high for pension schemes given the complexity of the calculations. We therefore recommend a more proportionate approach which takes into account the different nature, size and resources of pension schemes compared to insurance companies.	EIOPA will reconsider HBS approach after the QIS HBS will be used for funding purposes, in line with Commission's objective There is not enough information at this stage to specify supervisory responses and proportionality rules Some areas of technical specifications have been simplified, other areas will be further developed Fixed inflation rate assumption

			BlackRock also recommends that the timescales of the QIS should allow for a robust framework to be identified. At the moment, we fear that the result of the calculations could – despite their complexity – be dominated by a small number of key input parameters. These parameters are insufficiently justified in the consultation paper and some may impair sound risk management approaches. Similarly, sufficient time should be taken to understand the way the loss absorbing capability of the adjustment mechanisms are taken into account in the calculation of the Solvency Capital Requirement to design proportionate solutions. Finally, we note that a new regulatory framework which requires pension schemes to hold differing amounts of capital for different asset classes could result in changes in asset allocation. The potential macro-economic consequences arising from these changes in asset allocation need to be considered in combination with other regulatory changes.	has been replaced by market-implied inflation rates EIOPA considers that more QISs are needed

			BlackRock is one of the world's preeminent asset management firms and a premier provider of global investment management, risk management and advisory services to institutional and retail clients around the world. As of 30 June 2012, BlackRock's assets under management totalled \$3.56 trillion (€2.81 trillion) across equity, fixed income, cash management, alternative investment and multi-asset and advisory strategies including the industry-leading iShares® exchange traded funds. BlackRock also offers risk management, advisory and enterprise investment system services to a broad base of institutional investors through BlackRock Solutions®. Our client base includes corporate, public funds, pension schemes, insurance companies, third-party and mutual funds, endowments, foundations, charities, corporations, official institutions, banks and individuals. BlackRock pays due regard to the interests of its clients and invests according to the investment guidelines set out in client agreements. It is from this perspective that we engage on all matters of public policy. BlackRock supports regulatory reform globally where it increases transparency, protects investors, facilitates responsible growth of capital markets and, based on thorough cost-benefit analyses, preserves consumer choice. BlackRock is a member of European Fund and Asset Management	

			Association ("EFAMA") and a number of national industry associations reflecting our pan-European activities and reach. BlackRock: General Comments to EIOPA Consultation on Draft Technical Specifications QIS of EIOPA's Advice on the review of the IORP Directive BlackRock has focused its comments on the higher-level issues raised by the Consultation. Clarity of actions resulting from the calculation of the Holistic Balance Sheet (HBS) and a proportionate approach are required for a robust and sustainable pension environment BlackRock finds it difficult to assess the complexity of the calculations without more information on the actions that will be required as a result of those calculations. In particular, the lack of information on what actions are to be taken if the balance sheet does not provide adequate protection makes an assessment of the proposed QIS extremely difficult. If limited actions flow from the analysis then it is arguable that the time and cost are not justified. We believe that both pension providers and beneficiaries would benefit from a delay to the QIS to ensure that the IORPD reflects the lessons learnt from the implementation of Solvency II. For the majority of the questions in the Consultation, we cannot provide answers without more detail on the consequences of those calculations,	

			other points of detail will only surface when the calculations specified in the QIS are carried out by a range of IORPs. Further information required on options available for IORPs with insufficient security mechanisms We note that there are limited options available for IORPs with weak balance sheets, these include: ☐ Higher sponsor support through increased contributions or other financial support ☐ Reduced risk for example by amending the investment strategy ☐ Reduced benefits and expenses ☐ Increased reliance on pension protection schemes Further details are needed on which of these options (or combinations) the European Commission considers appropriate for IORPs that are shown to have insufficient security. If the responses are limited then a simplified form of calculation may be adequate and more economically efficient. High level comments on valuation holistic balance sheet ☐ Specifically on the valuation of the holistic balance sheet approach, it is difficult to evaluate whether the draft technical specifications provide enough guidance without more details on the potential role of the holistic balance sheet approach and how it might operate and be used in practice. This is key for pension schemes and their sponsors given the potentially far-reaching consequences for them.	

			☐ Despite proposed simplifications in the calculations, there is still a high level of complexity which pension schemes would have to delegate to advisors and incur significant cost. For example, while we support the principles set on the valuation of sponsor support and pension protection schemes, we do not believe that the complexity in the calculations can be justified without knowing the outcomes that would be required. ☐ There is also a risk that the impact of the detailed calculation is dominated in the final result by key input parameters that are set at a high level and are insufficiently supported. o For example, the proposed 50bps upward adjustment in the basic risk-free interest rate curve to take account the long term nature of pension liabilities, appears crude adjustment that has weak justification and is not consistent with the level of detail required elsewhere. A market consistent approach should result in an investment strategy that if implemented would minimise risk. An arbitrary 50bps adjustment would remove the possibility of investing in a portfolio that mimicked the liability values and so make risk-management more difficult. It is also unclear when and under what circumstances the adjustment would be applied. o The 50% recovery rate for the sponsor, the fixed inflation rates, the proportion of profit used to calculate the sponsor support are other examples of global assumptions that seem insufficiently supported and are inconsistent with the level of detailed calculation required elsewhere. ☐ In addition, we are concerned that the use of level B discount rates will be a dis-incentive to sound risk management, a scheme with a deficit measured on a level B discount rate would be able to reduce the reported deficit by switching assets from bonds into equities or other risk assets.	

			☐ Finally, using fixed rates of inflation where markets exist for trading inflation will be detrimental to sound risk management. Where inflation trades exist (e.g. the UK) then a term structure of inflation similar to that used for interest rates should be used. Where no market exists to inform the setting of a parameter, salary inflation for example, then a simple informed assumption is justifiable. High level comments on Solvency Capital Requirement (SCR) standard formula and Minimum Capital Requirement (MCR) ☐ We note that the description of the SCR is based on the Solvency II analysis developed for insurance, it is unclear until the QIS has been attempted what issues will arise in applying this framework to IORPs. ☐ The absence of a capital requirement for EEA state bonds in the SCR is an anomaly which does not adequately reflect the risks faced by IORPS. The purpose of the MCR for IORPs needs to be clarified. We believe that the way the loss absorbing capacity of adjustment mechanisms and security mechanisms is taken into account in the calculation of the SCR is a complex area and we expect that lessons will be drawn out by the QIS. Sufficient time should be allowed to learn from this experience and design proportionate solutions. Timescales set for the QIS exercise should allow lessons to be learned and a robust approach to be identified This consultation proposed a large amount of detailed calculations and short timescales. We are therefore sceptical that a robust approach can be identified in the timescales set out. A resilient framework should take into account the practical difficulties encountered by stakeholders and then allow sufficient time for any lessons to be learnt.	

			The administrative burden should be proportionate for pension schemes across the EU Member States Serious concerns exist that the administrative burden will be high for pension schemes throughout Europe, and particularly so for smaller pension schemes. We are unconvinced that the calculations can be carried out at a reasonable cost and within reasonable timescales given the level of complexity. BlackRock recommends that proportionality should be required and that the framework takes into account the size and resources of IORPs compared to insurers. IORPs are typically much smaller organisations than insurance companies and so will bear a disproportionately higher compliance cost which will ultimately be passed on to members or sponsors. Higher costs will be a dis-incentive for pension provision. IORPs also have numerous differences to Insurers and these need to be taken into account in creating the regulatory framework. The differences include but are not limited to: Insurance companies IORPs Insurance products can be bought through a variety of distribution channels (i.e. brokers, agents, bancassurance etc.) and are offered to the public at large. Pension benefits are restricted to the employees of a company that are members of an IORP. As such, pension arrangements are included in the contract of employment and are conditional on employment.	

			The primary motivation is profit. IORPs are not for profit institutions. They operate for the ultimate benefit of employees and are managed to minimise the cost of pension provision to the employer. Investment decisions are guided typically by return on capital and solvency motivations. Investment decisions are guided by the will to meet the pension commitments to employees over the long term in a relatively predictable manner. Hence, IORPs tend to take a longer term investment view and have longer portfolio duration. Solvency rules provide security to policies holders. - Member's benefits are already strongly protected by the sponsor employer covenant in some countries (e.g. in the Netherlands by the FTK and in the UK by the work of the Pension Regulator and by the Pension Protection Fund). Almost 5,000 insurance companies operate in Europe on a cross border basis. There are around 140,000 IORPs in Europe of which only 84 are cross-border. The median size of pension funds is far smaller than that of insurance companies.	

			We are also concerned that the objective of regulatory consistency is not achievable at a reasonable cost given the diversity of pension arrangements between employers and employees across the EU Member States. In addition, some EU Member States already have established regulations in place governing pension security. The danger is very real that IORPs in those countries will face considerable additional costs in doing this exercise without any commensurate benefit accruing in terms of improved regulatory framework. Macroeconomic impacts There could be some macro-economic consequences from the differing capital requirements imposed on different asset classes. Overall, the amount of capital available for investment will remain the same (or increase if higher solvency requirements are in place) but the distribution of this capital may well alter. There could be a switch out of equity but it is not clear where this capital may be redeployed. If the capital is recycled to the corporate sector in the form of corporate bonds then the impact on capital available to the private sector may be minimal, however if more capital is directed to sovereign bonds then there may be a reduction in the available capital for the private sector. A thorough analysis of this impact should be carried out prior to implementation.	
31.	Bosch Pensionsfonds AG	General Comment	We welcome the opportunity to comment on the Draft Technical Specifications of the EIOPA QIS for IORP II. We strongly support the Commission's view that: "the fact has to be taken into account that supplementary occupational pension schemes are generally proposed by employers to their employees on a voluntary basis and that any new supervisory system for IORPs should not undermine	Noted. Resemblances with Solvency II follow from Commission's CfA EIOPA will

			the supply or the cost efficiency of occupational retirement provision in the EU". Having this in mind, we would like to express our concern regarding the QIS specifications. From these a methodology is to be feared, which is likely to severely hurt the Member States' occupational pensions, their IORPs, the sponsoring companies and the interests of members / beneficiaries: ☐ Firstly, we cannot help noticing that a lot of the proposed technical specifications are heavily inspired from the Solvency II framework for insurance companies, even though the Commission had said the rules for IORPs would not just be "cut and paste" from Solvency II. We regret this and emphasize again that Solvency II is the wrong starting point. The result can impossibly do justice to the core characteristics and reality of IORPs and makes the QIS far too complex and costly for most international sponsoring companies. ☐ Secondly, also the level of detail in the consultation is well beyond the capabilities of most international sponsors and their IORPs. This would probably make sense in the financial sector, where the relevant expertise is readily available. Accordingly, we believe the technical specifications are designed in such a way that interesting parties will have difficulties to answer or will not be able to comment properly. ☐ Finally, the proposed time frames for this consultation, the QIS itself and for the review of the Directive are far too ambitious and do not allow for good results. We consider the outlined comparison to insurance companies and the subsequent application of their regulation to pensions entirely	reconsider HBS approach after the QIS EIOPA agrees more QISs are needed

			inappropriate: our pension fund is not operating on the commercial market, it is not intended to make a profit. It is at its core a social institution and also a human resource vehicle as one component of a comprehensive benefits package our company offers to its employees. As such, pension benefits organized through our fund are the result of collective bargaining and part of broader labour considerations, they are not designed to compete with insurance companies. Features specific to IORPs like sponsor support, pension protection or last resort reduction are taken into account. In the practical implementation, however, this appears to be nothing but fig leaves, because these features are treated in a very complicated and complex manner - far away from the “real life” of IORPs. We would therefore like to express a warning from the outset: If what is shimmering through the QIS concept becomes the blueprint for a so called risk-based supervisory regime under the new IORP II Directive, it will cause severe damage to European IORPs and - just as bad - will undermine the motivation of sponsoring employers in the Member States to evaluate, set up and make use of IORPs in future. Reports that have reached us recently already indicate that the setup and further development of IORPs within Germany has in many places come to a standstill. Decisionmakers within companies justify this with the uncertainties surrounding the proposed changes to the IORP Directive, especially the possibility of significant negative impact for IORPs in the future. This critical status needs to be terminated as soon as possible.	

			We consequently emphasize our missing acceptance of these QIS specifications, their methodology and their complexity. They will not strengthen and support the future development of IORPs. As long as EIOPA and the Commission follow the traces and paths of the insurance industry, they are - with regard to IORPs - thinking and acting in the wrong direction, working with the wrong compass and following the wrong basic coordinates. There is no level playing field between real IORPs and the insurance industry. What is needed is a tailor-made concept: lean and well thought out for IORPs, starting with a white sheet of paper. Such a concept must take the core characteristics of real "non-profit" IORPs adequately into account and will therefore find acceptance with IORPs and sponsoring employers alike.	
32.	Bosch-Group	General Comment	We welcome the opportunity to comment on the Draft Technical Specifications of the EIOPA QIS for IORP II. We strongly support the Commission's view that: "the fact has to be taken into account that supplementary occupational pension schemes are generally proposed by employers to their employees on a voluntary basis and that any new supervisory system for IORPs should not undermine the supply or the cost efficiency of occupational retirement provision in the EU". Having this in mind, we would like to express our concern regarding the QIS specifications. From these a methodology is to be feared, which is likely to severely hurt the Member States' occupational pensions, their	Noted. Resemblances with Solvency II follow from Commission's CfA EIOPA will reconsider HBS approach after the QIS EIOPA agrees more QISs are needed

			IORPs, the sponsoring companies and the interests of members / beneficiaries: ☐ Firstly, we cannot help noticing that a lot of the proposed technical specifications are heavily inspired from the Solvency II framework for insurance companies, even though the Commission had said the rules for IORPs would not just be "cut and paste" from Solvency II. We regret this and emphasize again that Solvency II is the wrong starting point. The result can impossibly do justice to the core characteristics and reality of IORPs and makes the QIS far too complex and costly for most international sponsoring companies. ☐ Secondly, also the level of detail in the consultation is well beyond the capabilities of most international sponsors and their IORPs. This would probably make sense in the financial sector, where the relevant expertise is readily available. Accordingly, we believe the technical specifications are designed in such a way that interesting parties will have difficulties to answer or will not be able to comment properly. ☐ Finally, the proposed time frames for this consultation, the QIS itself and for the review of the Directive are far too ambitious and do not allow for good results. We consider the outlined comparison to insurance companies and the subsequent application of their regulation to pensions entirely inappropriate: our pension funds are not operating on the commercial market, they are not intended to make a profit. They are at their core social institutions and also human resource vehicles as one component of a comprehensive benefits package our company offers to its employees. As such, pension benefits organized through our funds are the result of collective bargaining and part of broader labour considerations, they are not designed to compete with insurance companies.	

			Features specific to IORPs like sponsor support, pension protection or last resort reduction are taken into account. In the practical implementation, however, this appears to be nothing but fig leaves, because these features are treated in a very complicated and complex manner - far away from the "real life" of IORPs. We would therefore like to express a warning from the outset: If what is shimmering through the QIS concept becomes the blueprint for a so called risk-based supervisory regime under the new IORP II Directive, it will cause severe damage to European IORPs and - just as bad - will undermine the motivation of sponsoring employers in the Member States to evaluate, set up and make use of IORPs in future. Reports that have reached us recently already indicate that the setup and further development of IORPs within Germany has in many places come to a standstill. Decisionmakers within companies justify this with the uncertainties surrounding the proposed changes to the IORP Directive, especially the possibility of significant negative impact for IORPs in the future. This critical status needs to be terminated as soon as possible. We consequently emphasize our missing acceptance of these QIS specifications, their methodology and their complexity. They will not strengthen and support the future development of IORPs. As long as EIOPA and the Commission follow the traces and paths of the insurance industry, they are - with regard to IORPs - thinking and acting in the wrong direction, working with the wrong compass and following	

			the wrong basic coordinates. There is no level playing field between real IORPs and the insurance industry. What is needed is a tailor-made concept: lean and well thought out for IORPs, starting with a white sheet of paper. Such a concept must take the core characteristics of real "non-profit" IORPs adequately into account and will therefore find acceptance with IORPs and sponsoring employers alike.	
34.	British Airways Pension Investment Management Limi	General Comment	British Airways Pension Investment Management Limited has been investing in private equity and venture capital funds ("PE funds") on behalf of the two British Airways defined benefit pension schemes for many years. Together the two British Airways Pension funds have total assets of almost £17 billion, which are invested on behalf of their 101,000 members. Our comments are confined to the issues covered in the consultation relating specifically to private equity investment. Our private equity portfolio currently comprises commitments to almost 100 PE funds. As is typical for an institutional investor in private equity, we gain our exposure though a portfolio of PE fund investments. For prudence and good risk management, this portfolio is diversified by manager, vintage year, stage of investment and geography. Private equity forms part of the pension schemes' diversified investment strategies as it is an asset class with differentiated characteristics from all other asset classes which are well-suited to the long-term investment horizon of the pension schemes.	Noted.

			We welcome the opportunity to contribute our comments to the consultation process as we have serious concerns that there is a fundamental misunderstanding of the risks faced by pension fund investors in private equity. The consequence this misunderstanding could result in pensions funds ceasing to invest in private equity and even being forced to consider divesting the investments already held. The impact of this would be adverse for both the members of pension schemes, who rely on private equity investments to contribute long term real returns to ensure pension liabilities can be met as they fall due, and for SMEs, who are the engine of economic growth and who rely on investment from PE.	
35.	BT Group plc	General Comment	British Telecommunications plc is the sponsor of the BT Pension Scheme, which is the UK's largest corporate pension scheme. The Scheme holds assets of around £38 billion and is responsible for around 330,000 beneficiaries under a defined benefit structure. This includes around 50,000 employees earning defined benefits. We strongly believe that there is no need for amendment to the current IORP directive and urge EIOPA and the European Commission to reconsider its approach to the review of the IORP directive including this current consultation. The European Commission needs to state explicitly what it wishes to achieve from this review, supporting its assertions with evidence of how the current regime fails to meet those objectives. This should include details of what risks are intended to be mitigated by the review and why the Commission believes applying a Solvency II based regime is the right approach to mitigate these risks.	Noted. Resemblances with Solvency II follow from Commission's CfA HBS will be used for funding purposes, in line with Commission's objective EIOPA will reconsider HBS

			We have set out our views on the reasons not to amend the IORP below, which were also included in our response to EIOPAs recent Call for Advice: ☐ The current IORP Directive already provides a high degree of security to pension scheme members and the prudent funding regime in the UK has proved robust throughout the recent economic turbulence. A strong and solvent employer is the best pension fund protection. ☐ The UK already has a very well governed, prudent and transparent regime for IORP's including a strong Pension Regulator and a Pension Protection Fund. Additionally in the UK, IORPS are established under a trust based structure (with separate Trustees who have their own legal obligations to protect members). ☐ There are key differences between IORPs and insurance products. Insurance policies are products taken out voluntarily by individuals or companies. IORPs are provided to employees as part of their remuneration package and employees cannot generally choose to join an IORP other than one provided by or on behalf of their employer. Insurance companies act in a commercial environment to deliver commercial products to the public, whereas IORPs provide a cost-efficient vehicle to provide a social benefit to individuals as a consequence of their employment. We do not believe that the case has been made for insurance regulation to be applied to pensions. ☐ EIOPA has previously commented that there are 'important	approach after the QIS Fixed inflation rate assumption is replaced by market-implied rate EIOPA considers that more QISs are needed

			differences between IORPS ... and insurers', but nevertheless assumes that it is appropriate for a framework designed for insurers to be imposed on IORPS, provided that certain adjustments are made to allow for the security provided to IORPS by sponsor covenant and protection schemes. We believe that IORPs should be regulated by regulation designed specifically for IORPs and not by regulation designed for another financial vehicle altogether. ☐ Because of the long-term nature of pension liabilities and the fact that most schemes are strongly embedded in national social and labour law not only are pension funds soundly regulated, but a review would violate the EU's subsidiarity principle ☐ Introduction of increased solvency requirements would reduce investment in growth and job creation. The CBI has previously estimated that the impact of the changes could add €500bn to pension liabilities in the EU. Any increases in pension liabilities will have a significant economic impact as companies need to divert their cash away from investing in growth and jobs creation. ☐ Changes to existing rules are likely to destabilise already volatile financial markets. Under a Solvency II approach schemes would effectively be forced to move into assets traditionally viewed as 'safer', which would increase volatility and damage the ability of firms to finance in capital markets. Instead of investing in a wide range of assets including equities, infrastructure, corporate debt, derivatives and gilts, schemes would be likely to switch to 'risk-free' investment in gilts. This could lead to a substantial disincentive for long-term investment in corporate debt and equity, which could have permanent impacts on the willingness of pension schemes to invest in the wider corporate economy.	

			☐ Applying a solvency regime to IORPS is unlikely to achieve the European Commission's aims for pensions. In its White Paper for Pensions, the Commission indicated that its goals were adequacy, sustainabilty and safety. Imposing a solvency regime would increase the security of some IORP promises in the short term, in many cases providing a level of security far beyond what is necessary. The cost of such security would, however, be to undermine the sustainability and adequacy of IORPs in many countries, with the increased funding costs leading to an accelaration of sponsors closing their defined benefit pension schemes, reducing the level of future accrual and/or replacing defined benefit schemes with often less well-resourced defined contribution schemes, under which members bear all the risks. Future generations of IORP members may pay the price in terms of lower pensions for the excessive security being provided to current members of defined benefit IORPs. ☐ A solvency II regime for IORPs is unlikely to meet the objectives set out in the current review of the IORP directive. Harmonising the funding regime for pensions would not be likely to increase the take-up of cross-border schemes. If anything, increasing the funding requirements would make such schemes even less likely. The obstacles to cross-border schemes are rather to be found in the complex legislative framework attaching to such schemes, to the stringent funding standards already applying to defined benefit cross-border schemes (which are required to be fully funded at all times), and possibly to a genuine lack of demand for such schemes. The second reason for the review of the IORP directive is to 'allow IORPS to benefit from risk-mitigation mechanisms'. However, IORPs already have a number of risk-mitigation mechanisms in place that are precisely designed for the needs of pension schemes in specific Member States. Imposing inappropriate risk-mitigation strategies in the context of funding will lead to increased risks in other areas, in	

			particular in terms of the longer term provision of IORPS to employees. ☐ Now is not the right time to consider this issue. The proposal to apply Solvency II to pensions with minimum alterations is premature in any case, since Solvency II remains untested for insurance companies. We believe that the regime should be tested in practice for a period of years before there is even any consideration of applying the same regime to pensions. Indeed we understand that the QIS is not based on the latest version of Solvency II. ☐ Also, the current European market turmoil strongly suggests that now is not the time for Europe to be considering any major changes which could destabilise investment markets through changes to asset allocation by pension schemes. The current crisis has also challenged the very notion of 'risk-free' investment and it will be necessary to form a revised understanding of what risk-free means in practice before such concepts can be applied to pension schemes. ☐ It is also our firm view that it is fundamentally inequitable that unfunded arrangements are not being reviewed in conjunction with IORPs, when these arrangements are inherently less secure than funded plans. Despite our fundamental opposition to a review of the IORP directive and any application of Solvency II principles, we have provided a technical response to the questions provided. Providing comments to the technical questions raised in no way means that we are in agreement with the principle of reviewing the IORP directive or to move to a regime based on Solvency II.	

			Our high-level key points in our response to the questions are that: ☐ To comment on technical specifications, it is fundamentally important that the purpose for the calculations and the proposed regulatory framework is understood. The QIS is flawed from its inception, as whether approximations or simplistic formulae (e.g. in relation to covenant) are appropriate is impossible to determine without first knowing the purpose. ☐ Six weeks is far too short for a consultation on highly technical detail. Indeed, the whole timetable is unnecessarily short for a matter of such high importance. EIOPA needs to be clear in its advice to the Commission of the importance of taking time to consider a suitable approach rather than implementing a regime that is unfit for purpose and may be damaging. ☐ Despite assurances that the approach to be proposed will not be a "copy and paste" of Solvency II, it is extremely disappointing that large elements of Solvency II have been reproduced in their entirety whether relevant or not. It is noticeable that there is spurious accuracy in some areas that are immaterial but other material areas for pension schemes, e.g. inflation, have been simplified significantly. ☐ The areas that have not been a "copy and paste" from Solvency II are inadequate and need substantial work if the QIS is to provide any	

			meaningful results. ☐ The HBS relies on an accurate value of covenant and using a one-size-fits-all formula does not provide this. Adopting a formula for employer covenant is simply unworkable and further consideration of this area is needed by EIOPA. ☐ The results of the QIS for the UK are not likely to be sufficiently accurate given the limited data that the Pensions Regulator has on individual pension schemes and employers. ☐ From discussions with several other large companies, we believe it will be beyond most sponsors and IORPS to respond in detail, if at all, given the highly technical nature of the consultation and the short timescale provided. The number of responses received is therefore likely to understate the widespread strength of feeling against the proposed review and the use of Solvency II principles.	
36.	BTPS Management Ltd	General Comment	Introduction to BT Pension Scheme By way of background, the BT Pension Scheme (BTPS) is the UK's largest corporate pension scheme, managing assets worth around £38 billion, paying over £2bn in pension payments per year and accountable to some 330,000 beneficiaries under a defined benefit (DB) structure. As well as being the largest scheme, we have access to significant internal resources: although investments are managed externally we have	Noted. Solvency II based approach follows from Commission's CfA HBS will be used for funding

			approximately 50 people in the executive arm including specialised risk and strategy teams and two in-house actuaries. The BT Pension Scheme is an occupational defined benefit scheme with some 75% of its liabilities relating to pensioners or former employees of BT. The Scheme is closed to new entrants and as such does not compete with other pension or similar retirement benefit providers. As the sponsor is a UK based company with limited non-UK employees it has never felt any requirement to deliver cross-border arrangements. The pension scheme is being de-risked in line with its growing maturity, and this is being done in a controlled way in close co-operation with our sponsor. BTPS's approach to asset allocation has been focussing on diversification across asset classes and investment returns to achieve long term stable returns with positive cashflows rather than de-risking into extremely low-yielding UK or other government bonds. Overview – impact on growth agenda and financial sustainability We welcome the introduction of regulatory and best practice requirements which reduce risk and improve the benefit security of Scheme members. But it is crucial that any regulatory change does indeed reduce risk and enhance security, both in terms of the overarching aims of the proposals and in their detailed implementation. We are aware that the current consultation does not have the status of formal proposals, but in order to respond we need to consider them as such; we have some significant concerns that the current approach, to	purposes, in line with Commission's objective EIOPA will reconsider HBS approach after the QIS Some areas of technical specifications have been simplified EIOPA agrees more QISs are needed

			the extent that it can be understood at this stage, fails to deliver reduced risk and enhanced security. In particular, we are concerned about the inflexibility of the current proposals. The single approach to the understanding of risk implied in the proposals means that there may be a further herding of investment institutions into the same narrow set of assets, further increasing their price, dramatically reducing their attractiveness as investments and increasing systemic risk. This seems particularly ill-timed when the markets are already crowding into what are perceived as safe-harbour assets. This is not a sustainable investment strategy and risks putting additional burdens on sponsoring companies to finance the additional costs this will imply due to lower future returns. The biggest single impact of the current IORP pillar 1 proposals thus may be a significant further reduction in the availability of capital to invest in the growth and prosperity of the European economy, both by reducing the scope for investment in areas such as corporate equities, venture capital and infrastructure, and by increasing the costs of pension promises for the corporate sector. This risks making it significantly more difficult to achieve the European Commission's 'Europe 2020' targets on job creation and investment in growth. Our clear view is therefore that in order to avoid significant adverse consequences for the European economy, and to avoid introducing new systemic risks, the IORP regime must be flexible enough to allow scheme-specific assumptions for the calculation of liabilities and must avoid in effect obliging pension schemes to match those liabilities with	

			the same classes of assets. Other key comments – complexity We make a series of comments below and in response to the technical questions, but this should not be taken in any way as an expression of comfort with the overall approach, about which as we note we have significant concerns. One concern with the overall approach is that it is predicated on the need to have a level playing field with the insurance industry so that there are not competitive distortions in the market. As an IORP established to fulfil existing pension obligations, and as we are closed to new entrants, this argument about competition does not apply to us – and neither does it apply to many IORPs across Europe. To impose such costs on schemes which do not compete in the interest of ensuring fair competition seems inappropriate. We are concerned that the QIS process is continuing at a time when the specific nature of the proposed IORP regime remains unclear. It is hard – if not impossible – to provide a considered view of the impact of a set of proposals which are not yet near to being finalised. Not least, it has proved extremely difficult to comment on the calculation methods when we do not know what is the intended use of the results. We note that there were a series of 5 QIS processes over several years	

			for the insurance industry solvency proposals, and that this series was necessary in order for some of the technical complexities to be identified and resolved (we also note that even with 5 such processes there are still elements which remain to be resolved). We believe it is a significant risk to assume that the technicalities of the IORP proposals can be resolved in a single QIS process. We note that our intention is to complete the QIS ourselves and we intend to respond directly to EIOPA with the results of this work. But we understand that the UK's Pensions Regulator is intending to respond to the QIS itself on behalf of UK schemes, in part at least to minimise the burden of the process on schemes. We believe that national supervisors do not necessarily have sufficient information on all schemes – not least their access to information on sponsors is inevitably limited – to enable them to develop an accurate QIS on behalf of all IORPs. We would note that if there is a sense that the QIS is too complex for individual IORPs to respond to, this may be a fundamental failing of the QIS and trying to address it by regulators responding on behalf of IORPs merely masks the problem. The more appropriate solution would be a significant simplification of the QIS process; one way to do this might be to have a series of QIS processes as was done for the insurance industry. We are significantly concerned that the proposed application of a solvency-based approach to IORPs is too technical and uses inaccurate non-market consistent assumptions. Particularly where the sponsor retains the obligation to pay the pension liabilities and the IORP represents a vehicle to assist the sponsor to provide those retirement benefits, the solvency-based approach fails to reflect the underlying realities of the situation. Notably, the SCR process, a complex and	

			expensive calculation, is therefore of no practical relevance to many IORPs. At the March 1st open meeting in Brussels, Commissioner Barnier promised that the proposed IORP directive requirements would not be a "copy and paste" of QIS 5 for insurance markets; we are concerned that this undertaking does not yet seem to have been carried through in practice. UK pension schemes are small on average with limited resources and they thus rely heavily upon their advisers. Generally, these advisers are focussed on the UK pensions market and are unfamiliar with many of the insurance-related concepts in the proposals. The six week time-scale is too short to expect any appropriately detailed and considered response from most UK IORPs, and we do not accept the argument given for halving the usual three month timeframe for consultations. We would note that CEIOPS' research from 2008 identified the UK as having the largest exposure to this proposed approach. In our view, the UK currently has a properly functioning regulatory regime and a sizable and sustainable Pension Protection Scheme (the PPF). The approach to risk, funding and regulation in the UK is scheme-specific and that approach copes well with the diversity of pension schemes that exist in the UK, responding not least to the varying quality of sponsor covenants enjoyed by pension schemes. It is not clear to us that the holistic balance sheet approach responds effectively to the specifics of the relevant regulatory regimes in different member states. We are also concerned that the holistic balance sheet approach could place unhelpful stress on the value of the sponsor covenant and potentially lead to increased risk to member's benefit security.	

			We believe that this is just one example of the way in which the Commission and EIOPA approach has been driven by a European harmonisation agenda and an unhelpful focus on competition rather than reflecting appropriately on the marked and substantial differences between Europe's pension systems and labour laws. We believe that this single approach is hard to justify in the context of the variety of European pension regimes and systems, and does not reflect the obligations of subsidiarity. Additionally, taking forward this approach in isolation from the other forms of European pension provision (i.e. pillars 1 and 3) as discussed in the Commission's white paper on pensions is highly questionable.	
38.	Compagnie Financière du Groupe Michelin	General Comment	We would like to thank EIOPA for its thorough consultation exercise. However, rather than going into the details of how the QIS should be operated, we would like to make a number of general comments : - First of all, we cannot help noticing that a lot of the proposed technical specifications are heavily inspired from the Solvency 2 framework for insurance companies, even though the Commission had said the rules for IORPs would not be just cut and paste from Solvency 2. We obviously regret this back-tracking. - Second, the level of detail in the consultation is well beyond the capabilities of most international companies who sponsor pension funds. This would probably have made sense in the financial sector where the relevant expertise is to be found. Again, this appears to show a desire to borrow from financial services regulations and apply them to pensions. Accordingly, we believe the technical specifications are designed in such a way that interested parties will not be able to comment properly. Finally and more importantly, we question whether any additional capital	Noted. Resemblances with Solvency II follow from Commission's CfA EIOPA will reconsider HBS approach after the QIS

			requirement for pension funds is required and thus whether the QIS will serve any purpose at all. We will focus our comments in this area. Indeed, we understand the motivations for instituting additional capital requirements borrowing from the Solvency 2 approach to be as follows : 1) Ensuring level-playing field with insurance companies We acknowledge some particular IORPs may be in the same situation as insurance companies offering pension services on the competitive market. However, for the vast majority of IORPs, such as our company's pension fund, we believe this comparison with insurance companies is entirely inappropriate : our pension fund is not operating on the commercial market, it is not intended to make a profit. It is solely a human resource vehicle which is one component of a comprehensive package of benefits our company offers to its employees. As such, pension benefits afforded through our fund are the result of collective bargaining as part of broader labour considerations, they are not designed to compete with insurance companies. These arrangements will obviously change over time and they include important risk-sharing and risk-mitigating elements which make them very different from a private insurance contract: possibility to amend contributions paid by employees or employers, to amend benefits, to amend indexation, pension protection schemes etc. In addition, contrary to insurance companies operating various kinds of risk coverage, pension funds only cover one situation, the payment of pensions (no fire insurance, no car insurance etc). In this area, the need for capital outflow is more predictable, because the date of the occurrence is known in advance, i.e. when an employee reaches retirement age. Therefore, market-based and volatile risk measures, like Value at Risk, seem highly inappropriate for pension scheme monitoring. The	

			Commission could usefully consider the models that have been developed recently in other OECD countries. The United States are a good example, which our company knows well as our local subsidiary holds significant defined benefit commitments. The Pension Protection Act (PPA) of2006, aims to secure pension scheme funding. Yet its framework is neither derived from insurance regulation nor based on market-related risk measures. The PPA enhances funding requirements but allows pension schemes to use smoothed technical rates and smoothed asset value as a means to amortise market shocks and to keep a long-term view in pension management. Ideally, the Commission could also consider the different models already available within the Union and build up on this long experience together with the pension community instead of applying a Solvency II model that has not been designed for IORP in the first place. 2) Ensuring future sustainability of pensions We are not aware of any systemic risk weighing on pension payments. It seems to us that there already are mechanisms in place to ensure pensions are duly paid by pension funds or their sponsoring companies, such mechanisms vary from one country to the next but are in line with local pension practices. For instance, for defined benefit schemes, there is an unlimited last resort guarantee from the sponsoring employer (UK, Belgium, Germany) and sometimes also a national safety net sponsored by all pension schemes (UK, Germany). In addition, even assuming there was such an issue as systemic risk of pensions not being paid out, we do not see how a capital requirement would be helping towards resolution. In fact, the cure would be worth than the illness in this case : the more money companies have to tie up to pay pensions, the more their financial viability will be threatened.	

			We believe the best form of protection to member benefits is a strong, solvent employer and confidence between contributors. We believe the attempt to impose higher solvency requirements would weaken the sponsoring employer as a Solvency 2 type regime would unnecessarily increase pension liabilities and thus funding requirements, far in excess of the actual payments required to pay out pensions. This would indeed : - Significantly increase employment costs in Europe for lots of employers, as well as employee contributions; - Force employers to reduce benefits or even to stop providing occupational pensions, which contradicts the objective set in the White Paper to develop occupational pensions in Europe as a remedy to declining Social Security pension schemes; - Force European companies to reduce value adding and job creating investments because of unnecessary contributions into pension solvency buffers, which are likely to be irrecoverable once all pensions will be paid; - Impose a significant competitive disadvantage to European companies / employers in the absence of any comparable solvency regulation internationally; - Force European pension funds, which are long-term investors to divest from equities and eventually also from corporate bonds, thus creating a financing issue for corporates in Europe. Therefore, we strongly believe that the existing regulatory environments in our nations provide a strong framework to protect pension scheme members and pensioners. However, we are open to improve if necessary, some qualitative criteria to reinforce confidence of all stake holders of the pension funds.	

			3) Facilitation of cross-border pension funds We understand the Commission would like to see more of those EU-wide pension funds. We believe those already exist in the form of a given company pooling resources together to fuel several different national funds. However, what does not exist is a pension fund operating across several countries where the level of defined benefit is the same for all those countries. While the Commission may consider this as desirable, this is not doable in a situation where tax & labour law is widely different from one EU member State to the next. Our company operates a compensation policy which is adjusted and differentiated in each of the EU countries where we operate, by virtue of the fact that market conditions are different, but more importantly that tax & labour law provisions are vastly different. Since we cannot possibly offer a harmonized package of benefits to our employees across the EU because of these differences, differentiated pension benefits follow the same logic. Thus, the lack of cross-border pension funds is not caused by the absence of proper EU regulatory framework on pension funds, it is caused by fundamental disparities between the national labour markets. Further, even assuming EU regulation was required to foster cross-border pension funds, we do not see how imposing additional capital requirements would make cross-border funds any easier ? Given the above considerations, we do not see that any additional capital requirement for pension funds is required, whether drawn from Solvency 2 or otherwise.	

			The case for reform is not clear. Therefore, we do not think it is appropriate for our company to be offering views on the QIS, since - the very purpose of the QIS and its underlying reform proposal is in doubt - the template for comments is inappropriately drawn from the financial sector.	
39.	CONFEDERATION OF BRITISH INDUSTRY (CBI)	General Comment	1. The CBI welcomes this opportunity to respond to EIOPA's consultation on the draft technical specifications for QIS IORP II. The CBI is the UK's leading business organisation, speaking for some 240,000 businesses that together employ around a third of the private sector workforce. 2. CBI members are completely opposed to European Commission plans to impose higher solvency requirements on pension funds. These concerns are shared by a great number of stakeholders including the European social partners, BusinessEurope and ETUC. Despite widespread opposition and serious concerns about the devastating economic impact of the proposals, the Commission continues to push forward with its plans as part of its review of the IORP Directive. 3. In particular, we are concerned that: ☐ the Commission's arguments to change the Directive are misguided… ☐ …instead its plans will damage long-term growth and destabilise capital markets… ☐ …as well as undermine the White Paper's goal of promoting	Noted. EIOPA will reconsider HBS approach after the QIS EIOPA considers that more QISs are needed

			occupational pensions saving ☐ Commission plans go against the principle of subsidiarity regarding social protection systems ☐ the policy-making process and timetable being imposed for the Commission are undermining the credibility of European pensions governance. The Commission's arguments to change the Directive are misguided… 4. We reject the Commission's argument that there is an uneven regulatory playing field between pension schemes and insurance products. A defined benefit pension scheme is set up by an employer as part of its employees' reward package, they are not commercial products. On the other hand, insurance companies are consumer products – a commercial relationship exists between the insurer and the consumer. These differences mean that the degree of homogeneity found in the European insurance industry across Member States is lacking in pension schemes due to their adaptation to specific national necessities according to the social nature of their role. 5. We reject the Commission's argument that pension funds are a type of financial product. Defined benefit schemes are wholesale products that by the nature of their activity are deeply integrated into national social protection systems and therefore regulated by national social and labour laws. Pension funds are also, due to the nature of their liabilities, very long term investors. Therefore, unlike insurance companies, their financial stability is not affected by specific short-term	

			economic turbulences. Moreover, unlike insurance companies, where the institutions themselves underwrite their financial and demographic risks, pension schemes are generally backed by outside sources of solvency, whether the sponsoring employer, contingent assets or pension protection schemes – such as the UK's Pension Protection Fund (PPF). 6. Lack of demand, not the existing IORP Directive, is the real reason behind the low levels of cross-border schemes. According to Eurostat's own figures 75 per cent of European citizens do not plan to go work in a different EU country. Anecdotal evidence from CBI members shows little appetite on the side of businesses to want to set up this type of scheme, certainly if doing so would mean a substantial increase in funding requirements. CBI believes that to set up an inflexible one-size-fits-all regulatory regime for all pension schemes in the EU to cater for a small percentage of highly mobile citizens is not reasonable. …instead its plans will damage long-term growth and destabilise capital markets… 7. Applying a Solvency II-style funding regime to defined benefit schemes would lead to substantial increases in scheme liabilities. As an example, in the case of UK schemes such rise could mean additional costs for businesses of up to €700bn (over 15% of the market capitalisation of FTSE350 companies). Such a dramatic increase, combined with a significant shortening of recovery plans as is the case in the Solvency II Directive – and hinted at in EIOPA's technical advice – would – at best – force all remaining defined benefit schemes to close and – at worst – push many businesses into insolvency, leading to	

			significant job losses across the EU. Even if, as acknowledged by DG MARKT, provisions are made in a reviewed Directive to take into account the role of the employer covenant or pension protection schemes, like the PPF, costs would still be significant. 8. The Commission's plans would also significantly change schemes' investment patterns. If liabilities were to be calculated using a risk-free discount rate – as proposed by the Commission and EIOPA's technical advice – then pension investments would be switched away from return-seeking classes, such as equities, and into risk-free high-quality bonds and gilts. Less equity investment would restrict capital flows to businesses, particularly SMEs. With European pension funds holding over €3 trillion in assets, a major switch in asset allocation would also have an immediate impact on the stability of European financial markets, as pension funds are widely acknowledged to act as stabilisers in financial markets due to the long-term nature of their investments. 9. Beyond its immediate impact, the increase in the cost of providing pensions would also damage long-term growth in the EU. Higher funding requirements would force companies to lock money away in the pension fund unnecessarily, diverting it away from business investment, such as in R+D, and job creation. …as well as undermine the White Paper's goal of promoting occupational pensions saving	

			10. Occupational pensions (second pillar) are crucial to people achieving an adequate income level in retirement as State provision will not be sufficient. The Commission's white paper aims to encourage this type of provision in the future. The proposed review of the IORP Directive runs counter to that objective as it would make schemes unaffordable for employers forcing them to close them. This would only hurt employees. Commission plans violate the principle of subsidiarity regarding social protection systems 11. When considering the question of pensions regulation, the CBI believes it is the primary responsibility of member states to regulate retirement saving in a way that works best for their citizens. Pension arrangements differ substantially from one member state to another because of historical and social developments. This diversity of provision – built on fundamentally different, but equally valid, approaches to state pension systems – means that we should avoid creating a 'one-size-fits-all' approach to pensions at EU level. The differing weight each pillar – state, workplace and individual provision – has in each member state must also be taken into account. The policy-making process and timetable being imposed for the Commission are undermining the credibility of European pensions	

			governance 12. CBI members are extremely concerned at the speed at which the entire policy-making process is being developed. The European Commission's extremely ambitious timetable for the review has meant that stakeholders have only been given six weeks to respond to an extremely complex technical consultation like this one. This has meant that most firms sponsoring pension funds have not been able to carry out detail examination of the QIS methodology neither have organisations such as employer and employee representatives been able to consult their members appropriately. 13. Moreover, while for the Solvency II Directive five different quantitative impact studies have been carried out, for the IORP Directive the Commission is only expected to carry one. At the same time, this IORP QIS references the Solvency II methodology despite the fact that this has not yet been completed. This means that many IORPs and their sponsoring employers are not able to fully take into account all of the necessary considerations to comment on the proposed methodology. 14. EIOPA as the European pensions regulator should stand up to Commission pressures and demand more time to carry out detailed impact studies before any legislation is drafted. An independent and technical body like EIOPA should be carrying out quantitative impact studies that provide meaningful assessments of the consequences of legislation and not simply proceding as if they were part of a general Commission "box-ticking" exercise. If EIOPA is not able to state its independence as a technical body, then there is a serious danger to its	

			reputation as an impartial body in the eyes of stakeholders. 15. Because of this, CBI members believe that more time should be provided for EIOPA and stakeholders to be able to fully and properly assess the potential impact of the application of higher funding requirements on pension funds. This should include peer review of the methodology being proposed for the QIS from other technical bodies such as actuarial organisations.	
40.	Consiglio Nazionale degli Attuari and Ordine Nazio	General Comment	1. The timeframe allowed for responding to this consultation is too short to examine such a complex and technical document, which also contains original concepts and very complex methodologies. 2. We remark that it is important to develop more than a QIS: the model is very complex and it adds many new elements which need to be tested and are still too unclear. Furthermore, the preparation of more QISs for insurance market has enabled us to evaluate the effects on the model of market volatility. Finally, the QIS will be done only by some funds in some countries. It is not specified as the results will be extended at national and European level. 3. A big part of the document seems to be inspired by the QIS 5 of Solvency II for insurance companies, also for the determination of variables to be included in the estimation of some parameters, without a specific explanation of the chosen value and compliance of such value to pension funds. There are also present all the unresolved issues of Solvency II for long-term risk (i.e. discount rate on risk free market). 4. For new parts, specific of pension funds, particularly relating to	Noted. Resemblances with Solvency II follow from Commission's CfA There is not enough information at this stage to specify supervisory responses EIOPA agrees more QISs are needed

			risk mitigation tools, there is a strong complexity of the models proposed that does not seem justified by efficiency. I.e. the formula for the evaluation of sponsor support in case of insufficient reserve, as well as the methods proposed for measuring the probability of default of the sponsor. 5. More clarity is also needed about the way the Holistic Balance Sheet will incorporate the security mechanisms of IORPs. In fact, in the scheme of calculation of the coverage provided by the instruments of risk mitigation, like sponsors support (SS) and pension protection scheme (PPS), is taken into account only the difference between technical provisions and assets, without specifying how, whether assets are below the technical provisions, liabilities relating to the SCR can be covered. Net SCR is not covered by any asset (where there is no PPS, there is no loss absorbing capacity for sponsor default) and the impact of the Risk Margin is unclear. Moreover, the proposed methodologies for the evaluation of risk mitigation into the holistic balance sheet, seems not to consider the difference between those who contribute the capital to cover the SCR for insurance companies and for IORPs. While, in fact, for insurance companies the activities of SCR come from shareholders' capital, in IORPs the activities, if it is present a solvency requirement, come from the same contributions used for technical reserves. It is also present a cost-of-capital concept (which Solvency II includes in the calculation of RM). 6. To allow a more complete assessment of the effects of the QIS, it would be useful to reflect about possible rules relating to legal effects of lack of solvency (i.e. recovery periods and recovery plans).	
41.	Deloitte Total Reward and Benefits Limited (UK)	General Comment	Over the past few months, we have been working with a group of UK pension scheme sponsors to understand the implications of the proposed	Noted. HBS will be used

			revisions to the IORP Directive. These sponsors are some of the largest in the UK and together have pension obligations of more than £150bn. They are likely to be materially affected by these proposed changes to the Directive and they are very keen for their views to be considered. The points set out in this response have been discussed and agreed with these organisations. General comments We disagree with the proposals to amend the IORP Directive. Whilst improving security of members' benefits, simplifying cross-border pension provision and ensuring DC pensions are well managed are all reasonable policy objectives, amending the existing IORP Directive will necessitate a significant use of resources across the EU, which could otherwise be productively employed in other areas. The existing IORP Directive has already been successful in achieving a prudent, risk-based regulatory framework within the UK and other Member States, improved governance of IORPs and improved member disclosure. Amending elements of the IORP Directive simply in order to align to Solvency II, with no other demonstrable benefits, is not a productive use of economic resources. Based on the proposals set out to date, we do not envisage that the proposed changes to the Directive will result in any such demonstrable benefits. A number of the key elements of the proposed holistic balance sheet will be impossible to accurately value. The resulting holistic balance sheet will therefore, in our view, not be suitable for use as either a solvency standard, regulatory tool or disclosure item. We therefore consider that EIOPA should re-consider the holistic balance sheet approach.	for funding purposes, in line with Commission's objective EIOPA will reconsider HBS approach after the QIS EIOPA considers that implementation will be a long process and more QISs are needed

			The technical specifications set out detailed methodologies for valuing elements of the holistic balance sheet, however there is no indication of the overall implications and purpose of the holistic balance sheet. Without this underlying context and rationale, it is not possible for stakeholders to provide comprehensive and considered input to the consultation process. Such input is crucial to ensure an accurate view of the impact of EIOPA's proposals is obtained. As regards implementation timing, EIOPA has correctly noted that the pensions industry is far more diverse and fragmented than the insurance industry. In addition, IORPs have significantly fewer internal resources to consider and implement new regulatory proposals. This is the case for all IORPs, however it is particularly true for smaller IORPs (the majority of UK IORPs have assets of less than £20m). Taking these points into account, we believe that, if the IORP Directive were to undergo material changes, the implementation timeframe would need to be significantly longer than the five year period adopted for Solvency II in the insurance industry.	
42.	Deutsche Post DHL	General Comment	We welcome the opportunity to comment on the Draft Technical Specifications of the EIOPA QIS for IORP II. Deutsche Post DHL employs approximately 300,000 EU citizens and is a sponsoring company for institutions for occupational retirement provision (IORPs) for active and former employees in many Member States of the EU. Based on occupational pension commitments made by Deutsche Post DHL in EU countries, over EUR 650 million in payments were, for instance, be made to former employees in the EU in 2011. Thus, we would be heavily affected by any change of existing regulation for	Noted. Resemblances with Solvency II follow from Commission's CfA EIOPA will reconsider HBS approach after the QIS

			IORP's. Based on our assessment we are highly concerned that we would be quite negatively affected by additional bureaucracy, increasing complexity and capital requirements. We would like to state that we regret that the time for consultation was again very short (as it was with the case with EIOPA-CP-11/006, Call for Advice on the review of Directive 2003/41/EC). The time for a proper analysis of over 160 pages with very technical instructions has been too short. In addition, we doubt that neither EIOPA nor the European Commission itself will have enough time to properly analyze the answers of the Stakeholder's given the fact, that the QIS is intended to be executed already in Q4 2012. 1. As already stated in our comment letter to the Call for Advise on Directive 2003/41/EC we do believe that insurance companies act commercially, whereas IORPs provide social benefits to active and former employees of a company as a consequence of their employment. Thus, applying an insurance-style solvency regime to IORPs is fundamentally wrong. IORPs should be regulated by a regime designed for pensions but not for insurances. Thus, we strongly support the Commission's view that: "the fact has to be taken into account that supplementary occupational pension schemes are generally proposed by employers to their employees on a voluntary basis and that any new supervisory system for IORPs should not undermine the supply or the cost efficiency of occupational retirement provision in the EU". However, it appears that the draft for the QIS technical specifications is mainly based on Solvency II thinking and wording. The proposed holistic balance sheet approach comes on top of Solvency II specifications and increases the complexity even more (=> "Solvency-II-plus"). A tailor-made European supervisory	

			regime for occupational retirement provision based primarily on minimum standards and the principle of subsidiarity is clearly more appropriate for taking into account the specific characteristics of occupational retirement provision. A Solvency II based framework is in any case not the right framework for IORPs! The scale and complexity of the proposed QIS specifications demonstrate how serious the effects of applying Solvency II capital requirements to IORPs would be. Setting aside the possible quantitative impact, IORP and their sponsor companies (i.e. corporates) would be burdened with considerable bureaucracy. It is most likely that many companies of any size feel that the complexity of that Solvency-II-plus approach is beyond their capabilities. It is clear that IORPs would have to hold more capital as a result of risk-based capital requirements. The holistic balance sheet approach (HBS approach) proves to be poorly suited to taking adequate account of the specific characteristics of occupational retirement provision and in particular to preventing additional burdens. We do not support the QIS specifications, their methodology and their complexity. They will not strengthen and support the future development of IORPs. Thus, they are in conflict with the aim of the EC to create adequate, safe and sustainable pensions. As long as EIOPA and the Commission follow the traces and paths of the insurance industry, they are - with regard to IORPs - thinking and acting in the wrong direction, working with the wrong compass and following the wrong basic coordinates. There is no reason for a level playing field between real IORPs and the insurance industry as they follow totally different "business models". A new IORP Directive should not provide an incentive to scale back	

			second pillar pension provision or to move the pensions outside the scope of the IORP Directive (moving back to first pillar pensions, shift to book reserves or individual defined contribution schemes). This is undesirable, given the fact that only 40% of the European employees is currently participating in a supplementary pension scheme and given the need of more supplementary pensions in Europe (see also EC White Paper on Pensions). Excessive supervision of the second pillar IORPs will increase the pressure on the first pillar, which is according to the Commission already under stress in many countries.	
43.	Dexia Asset Management	General Comment	We welcome the opportunity to answer to EIOPA on the consultation on its draft QIS for the review of the IORP directive. Our main remarks are the following 1. The deadline to answer the consultation is too short 2. The QIS study will be biased because not all IORPs will answer and the results are very dependant on who will answer. 3. Lots of uncertainties still have to be clarified: what will be done with the results? How do the HBS components materialize in real life? 4. Most of the main specificities of IORPs are not properly addressed while some minor issues are too complicated We would like to stress that 1. The timeframe to read, understand and answer to the consultation is very short (only 6 weeks during summer holidays) 2. Most of IORPs across Europe are not used to Solvency II like exercises and are thus unable to run such a study in due time	Noted. Solvency II based approach follows from Commission's CfA EIOPA will reconsider HBS approach after the QIS There is not enough information at this stage to specify supervisory responses Sponsor support section will be further

			3. The IORPs who could be able to run these studies are only those with a sufficient financial surface which is likely to provide a wrong image of the actual IORPs landscape. As EIOPA noted in previous consultations, there are 150 000 IORPs across Europe. Ratings by authorized rating agencies (and sometimes accounting data) are only readily available for a few sponsors. This is going to create a significant bias in the study if we consider the dramatic impact of these data on the resulting balance sheets. We also believe that the objective of the review of the IORP directive should be more focused on facilitating the setting up of IORPs rather than promoting cross-border IORPs. IORPs prudential regulation cannot be properly treated in isolation from the Social and Labor Laws (SLLs). Prudential regulation is aimed at securing social benefits, and therefore should be adapted to diverse local practices and SLLs. An excessive harmonization could result in a poor fit of the regulation to the actual pension environment and become ineffective and costly. If costs and affordability are not properly taken into account, fewer employers will be willing to provide occupational pensions. This would go against the objectives of the European Commission and more generally of the sustainability of social protection. We regret that so much emphasize is put on Solvency II related parts of the Holistic Balance Sheet (HBS) whereas IORPs specificities are over	developed

			simplified, especially in a context where the Omnibus 2 directive is still under negotiation.The complexity of SCR calculations is not very useful to understand the situation of IORPs while sponsor support valuation is not always applicable 1. The most general case is either several sponsors (1 IORP (multiemployer arrangements) or 1 sponsors (several IORPs (several schemes within a company). In the first case it is unclear how collective schemes could evaluate sponsor support: inter-employer solidarity as a risk mitigating arrangement is not properly addressed and using the biggest employers could give a wrong picture. In the second case, it does not give any indication on how to share the sponsor support between the different IORP. 2. The legal entity liable to the IORP can be a cost center of a broader group but with implicit group support. In this case, sponsor support is not fairly valued by the HBS 3. In general collective bargaining between the sponsor, the employees and the IORP within the employment relationship is not treated while it is the very specificity of IORPs as compared with insurance companies 4. The use of rating is not adapted to multiemployer arrangements and available for a few sponsors only. In any case neither rating nor accounting data are sufficient to estimate the ability and willingness to fulfill the pension promise. The evaluation could be made on a case by case basis (including qualitative assessment) to match the reality of a country / industry / firm / pension scheme specificities. Three fundamental questions have not yet been answered by EIOPA,	

			which should have been clarified before any computation is made 1. What supervisory judgement would make EIOPA for some example HBSs? How should a healthy IORP look like? How does EIOPA interprete a possible deficit? What kind of tiering of assets is to be expected? 2. How does sponsor support translate in real world? Hard money requirement (recovery plan)? Accounting provisions? A more general theoretical "ability to pay" of the sponsor? Or a mix of the previous three? 3. Removing the HBS deficit imply financing safety buffers. Who has a claim on these buffers, the sponsor or the IORP? a. EIOPA assumes that the sponsor can recover the surplus (in the case of deterministic valuation at least), but in this case any surplus of assets against level A TP is a liability for the IORP. Thus what will cover safety buffers? b. If it were the IORP, it would mean that the sponsor is not longer committed to only pay pensions but rather to capitalize an insurance company. If technical provisions are accurately estimated, the sponsor is paying more than the actual pension cost. Anyhow, it will cost much more than most sponsors are able or willing to pay and go against the objective of promoting second pillar pensions in Europe. Finally we do not agree with the excessive focus on market consistency when: 1. Two market consistent balance sheets can look very different	

			2. Most of the long term risks IORPs are facing cannot be hedged on the market 3. The reference to Solvency II is flawed since Solvency II framework is not yet finalized.	
44.	Dutch Association of Insurers (Verbond van Verzeke	General Comment	The Dutch Association of Insurers welcomes EIOPA's consultation on "draft technical specifications QIS of EIOPA's advice on the review of the IORP Directive". The Dutch insurance companies are important providers of pension products (20% of the 2nd Pillar market). In the discussion concerning the IORP review, the link with the Solvency II directive for insurers should be further examined. Therefore we welcome the decision to conduct a QIS with a view to better assess the proposed review of the IORP directive, and more specifically to test the proposed Holistic Balance Sheet approach and the specific features related to occupational pension schemes. This is a critical step in the process of the review of the IORP Directive. Furthermore, it is important that these mechanism are adequately and sufficiently tested to ensure that they accurately reflect the economic reality faced by the IORP. Even if this would require more than one QIS. We consider the basic principle of 'same risks, same rules, same capital' to be a good point starting point for the discussion on the review of the IORP directive. The Solvency II principles should serve as the basis for regulating financial institutions providing occupational pension products. Not the legal vehicle through which pension products are provided should	Noted. EIOPA considers more QISs are needed

			determine the level of protection towards members and beneficiaries, but the risks related to the different pension products. Significant characteristics of the different pension products or schemes should consequently be taken into account. However, these differences should be fully transparent and explicitly communicated towards the (future) members and beneficiaries of the concerning pension products. It is necessary to aim for appropriate solutions in both the IORP and the Solvency II Framework. As a member of the InsuranceEurope, the Dutch Association of Insurers fully endorses the InsuranceEurope response on the Call for Advice on the draft technical specifications QIS of EIOPA's advice on the review of the IORP Directive. For the specific (technical) questions in the consultation document, the Dutch Association of Insurers refers to the answers in the InsuranceEurope statement.	
45.	EEF	General Comment	EEF, the manufacturers' organisation, is the voice of manufacturing in the UK, representing all aspects of the manufacturing sector including engineering, aviation, defence, oil and gas, food and chemicals. We have 6,000 members employing almost 1 million workers. They operate in the UK, other parts of Europe and throughout the world in a dynamic and highly competitive environment. The subject of this consultation significantly affects EEF member companies, who have a long history of providing Defined Benefit pension schemes. Such companies have long worked in partnership with their employees' representatives to provide greater income security in retirement for their workforce. This represents a considerable investment by employers, who see the provision of pensions as an important positive	Noted. Solvency II based approach follows from Commission's CfA EIOPA will reconsider HBS approach after the QIS

			contribution made for the benefit of their workers. It is therefore unsurprising that the social partners are unified in their concerns about the impact of proposals to revise the Directive along the lines proposed in EIOPA's Advice to the European Commission. EEF's views on the direction of travel In relation to IORPs, we dispute that there is any need to create a level playing field across financial sectors or that IORPs should be required to raise the amount of funding via the recalculation of their 'technical provisions'. The providers of IORPs do not operate in the same market as insurers; occupational pensions are accessed by the labour market not the financial product market, generally operate on a not for profit basis and represent a benefit provided to employees whilst employed by a specific employer. They also have a very different risk profile and there are mitigating mechanisms for managing that risk. EIOPA has acknowledged that occupational pension schemes and insurance products are different. However, instead of drawing the conclusion that there is logically no inherent difficulty in them having different supervisory regimes, the direction of travel is towards a variation of Solvency II, the 'holistic balance sheet approach'. Whilst revised calculations would take account of certain wider considerations, for example the strength of the employer's covenant, it is inevitable that a revised approach would lead to a material rise in the technical provisions of the Member States. The position in the UK	

			We have had a number of years of highly prescriptive pension regulation in the UK based on the existing IORP Directive. Such have been the transformation costs that many employers have closed their DB schemes to future accrual. The prospect of further revisions to the technical provisions has led to a sense of intolerable instability, undermining employers' confidence in their ability to plan for the long-term. Already the very suggestion of further revisions is leading to a further tranche of employers revisiting their commitment to continuing defined benefit schemes. For these employers, and those who have already closed their schemes to future accrual of benefits, they are also concerned about the impact on their investment plans for new equipment and innovation that would create jobs and grow their businesses. Our latest intelligence is that firms remain committed to investment but this is difficult in the current of economic uncertainty and problems accessing finance at the right cost and on the right terms and conditions. These proposals would further raise the barriers to investment. Consequently, further reform runs a real risk of an illusory 'pension security', as employers will be compelled to close the remaining DB schemes to future accrual. Also, the financial impact on many companies, even those that have closed their DB schemes to future accrual, could be so severe that it may result in companies ceasing to be profitable, risking reduced investment in jobs and Research and Development, and even closure. The overall impact will be one of reduced overall employer investment in workplace pensions. The initiative is therefore highly unlikely to foster more sustainable pension saving and provision.	

			Finally, the original Directive was a step in developing an internal market for occupational retirement provision throughout the EU, including promoting cross-border pension schemes. The IORP rules are so complex that there are only about 80 such cross-border schemes. Discussions with our multi-national member companies suggest they and their employees have no appetite for cross-border pension schemes. We, therefore, urge the EU institutions and EIOPA, to pause and take stock with a wide and comprehensive review of the impact on real pension security, job security, economic activity and the financial markets. The focus of EU interventions should now be on growth and measures that can help Member States meet the 'Europe 2020' targets.	
46.	EPRA, INREV, BPF, ZIA, IPF, Fastighetsagarna, AREF	General Comment	The undersigned represent a wide array of organisations in the real estate sector. Together, our members range from IORPs and other institutional investors including insurance companies, to fund /asset managers, property companies and property professionals operating in the real estate sector. We support the overall objectives of recent legislative initiatives to stabilise the financial markets and lower systemic risk, including the objectives of the White Paper - An Agenda for Adequate, Safe and Sustainable Pensions (http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0055:FIN:EN:PDF). However, we would like to express our concerns with EIOPA's	Partially agreed. Solvency II based approach follows from Commission's CfA Aim of HBS is to take into account differences between IORPs and insurers

			proposal to apply significant features of the Solvency II (SII) framework to the IORP Directive. Our concerns come from both a macro-economic as well as technical perspective and can be summarised as follows: 1. IORPs differ significantly to insurance companies – it is not appropriate to transpose SII rules onto IORPs; 2. The IORP QIS imports from SII several flaws and areas of uncertainty, including ones which have been corrected in SII. There are also several outstanding technical problems relating to SII's treatment of real estate that need to be resolved before they are applied to IORPs; 3. Imposing SII-type rules on IORPs will reduce the adequacy of pension provision by side-lining capital available for investment. Pension fund performance and returns will suffer as a result; 4. The 25% property SCR under SII is based on flawed data. Pan-European data sources indicate that a 15% capital charge for property is more appropriate; and 5. Reduced institutional investment into the built environment (resulting from disincentives, uncertainty and arbitrage under the SCR) will have severe negative macroeconomic effects. Direct and indirect investment in the many forms of physical real estate (both commercial and residential property) is playing an ever more prominent role in the portfolios of IORPs, who recognise the natural 'marriage' between the needs of European retirees and the long-duration, contractual and inflation protected cash flows provided by property, as well as the diversification benefits. We fully support the Europe 2020 strategy of encouraging greater long-term investment in	Provision that any leveraged property investment should be treated as equity has been removed EIOPA will reconsider HBS approach after the QIS

			the European economy, but believe that the IORP proposals outlined in QIS 5 risk having the opposite effect. 1. IORPs differ from insurance companies and SII should not be transposed onto IORPs IORPs have a different general business model and liability profile to those of insurance companies, which has been well articulated by the IORP industry members responding to this consultation (For example, see the response of the European Federation for Retirement Provision. www.efrp.org/), but it is important to note the following high-level points. IORPs do not provide consumer products (like insurance products), but arrangements agreed by employers and employees in the context of an occupational relationship. In general, IORPs are not-for-profit organisations, so all fund surpluses accrue to the benefit of participants: workers and retirees. A related consequence of not-for-profit status is that IORPs are not focused on pursuing profit, and due to the very stable and predictable payment obligations and the long-term nature of these obligations, IORPs are able to maintain a countercyclical investment policy and a prudent long-term investment horizon. The capital requirements for IORPs taken from the SII Directive aim to provide a high level of pension security in the short term. Under SII, institutions must be able to demonstrate that the probability that the level of technical provisions will exceed the total level of assets will be	

			lower than 0.5% on a one-year horizon – which regulators have determined makes sense given the business models of insurance companies. However, if this kind of regulation focused on short-term liquidity is applied to IORPs, IORPs will be forced to maintain high capital buffers and the required level of assets will increase. This will lead to lower pension benefits and/or higher pension contributions across Europe. IORPs could naturally shift to an investment mix that consists of less risk-bearing capital, but while such a strategy results in a lower capital buffer in the short run it also leads to lower expected returns and so lower pensions in the long run (WinterFrost, N, Page, D., White Paper: Vision 2020 (2012) The Society of Pension Consultants). Furthermore, SII's requirement for a very high level of short-term security is not consistent with IORPs' business model. IORPs' long-term investment horizon means that any short-term deficits arising from financial turmoil can be recouped in the long run as a result of the long duration of IORP liabilities, IORPs' ability to share risks among generations and through the use of additional risk-mitigating instruments. If SII's short-term perspective is applied to IORPs, it will disturb the current balance that IORPs provide between long-term pension security levels, adequate pension incomes and affordability. Despite these differences and the widespread acknowledgement of this throughout the industry, a large part of the QIS consultation document seems to have been transposed from the SII's QIS 5. This is disappointing, as on numerous occasions the European Commission has	

			acknowledged the fundamental differences between insurers and IORPs and has asserted that the IORP revision would not be an exercise in direct transposition (See, e.g., Speech of Michel Barnier, Member of the European Commission responsible for Internal Markets and Services, Insurance reforms: putting the European economy back on the path towards sustainable growth, at Insurance Europe Conference, Amsterdam, 1 June 2012). 2. There are a number of outstanding technical problems with SII's treatment of real estate investment Several flaws and inconsistencies that were contained in the SII QIS 5 have been incorporated in the IORP QIS, even though these flaws have already been corrected in the Commission's most recent SII draft Directive. For example, the provision that any financing in a real estate investment results in it being treated under the equity module appeared in the SII QIS 5, but has been corrected in the Commission's current draft of the SII Directive. Nevertheless, this provision is included in the IORP QIS. This oversight results in uncertainty in determining the SCR category to which leveraged real estate assets belong under IORP, and raises the risk of regulatory mismatch and arbitrage. Differences between the regulation of SII and IORPs should be thoroughly considered. In addition, flaws that still remain in the current SII draft Directive are incorporated into the IORP QIS, even though they could easily have been avoided. For example, the importance of inflation risk is underestimated in both initiatives and the 25% standard solvency capital charge for	

			property is adopted without any real discussion in the IORP QIS despite credible research which concludes that the standard charge should be no greater than 15% (The IPD Solvency II Review, Informing a new regulatory framework for real estate, 15 April 2011, updated 21 July 2011). The issues identified above are particularly relevant for investment into real estate as there are many different forms of direct and indirect exposure to the sector arising from the capital intensive nature of the asset and the importance of financing in the underlying business. Accordingly, there remain significant uncertainties in the application of SII to the real estate sector, with no process in place to resolve them. This includes the treatment of various forms of real estate vehicles (property companies, REITs and collective investment vehicles/funds) and the treatment of property debt (see below). A further unresolved issue with SII is the way in which it treats lending to commercial real estate, which takes no account of the value of collateral. The latest draft of the SII implementing guidelines requires that such lending be included in the general provisions for corporate bonds under the spread risk module. The starting point under this provision is a credit rating by a nominated credit rating agency, which does not reflect normal practice in property lending as individual commercial real estate mortgage loans are not rated in this way. In the absence of any clear provision that would allow collateral to be taken into account, the assumption would seem to be that it should be ignored. If the proposed treatment of commercial real estate loans is not rectified it appears that there will be no distinction for SII purposes between an unrated real estate loan secured by a mortgage over a commercial property and an	

			unrated unsecured loan. This is an illogical and inappropriate approach to commercial real estate lending and, if replicated under the IORP framework, will have further damaging impacts on investment into real estate and the performance of pension funds, creating artificial regulatory incentives to make investment decisions that do not properly take risks into account. Pension fund investment into real estate is on a much larger scale than insurance companies (INREV / ANREV Fund Managers Survey (2012)) and involves many more individual funds. According to the CfA there are 140,000 IORPs of which many have a handful of members (Paragraph 1.2 of the Call for Advice), as opposed to 4,753 insurance undertakings (Figure for end-2009. See page 21 of EIOPA's Report on the fifth Quantitative Impact Study (QIS5) for Solvency II. https://eiopa.europa.eu/fileadmin/tx_dam/files/publications/reports/QIS5_Report_Final.pdf). The flaws and uncertainties in SII would be significantly amplified if they are transposed onto the pension fund sector. In our view, it therefore seems unwise to transpose the SII framework onto IORPs without first properly understanding its impact and clarifying the significant uncertainties that exist in its application. The holistic balance sheet approach and the SCR requirements will no doubt allow some flexibility for the larger institutional investors to develop internal models that reflect the specific risk characteristics of their property exposures and mitigate some of the concerns above. However, this approach and flexibility will not be available for the thousands of smaller pension funds who will thus be placed at a disadvantage to the larger players.	

			3. Effect of regulatory changes on adequacy of pension provision The proposed risk-based capital requirements and valuation against the risk-free interest rate are inherently volatile and pro-cyclical, and will endanger the stability, performance and long-term sustainability of IORPs. SII is based on the capital adequacy framework for the banking industry, which has a very different business model to insurance, and now that these same principles are proposed to be applied to IORPs, there is a real danger that the convergence of behaviour-influencing regulation will increase the risk to the financial system and the wider economy. As noted above, IORPs have very stable and predictable payment obligations, and therefore long-term and stable investment strategies that focus on securing long-term, predictable cash-flows as opposed to short-term returns. They also do not rely to the same extent as other investors on short-term liquidity. Real estate is an ideal asset class for many IORPs to diversify their portfolios and match their liability schemes, as it provides stable cash flows, relatively low volatility (See, e.g., Karlekar, I., Commercial Real Estate: An 'Alternative' Goes Mainstream, Investment Advisor, 22 May 2012), low correlation with other asset classes, and positive inflation-adjusted returns over the long term (Lizieri, C., Alcock, J., Satchell, S., Steiner, E., & Wongwachara, W. (2012), Real Estate's Role in the Mixed Asset Portfolio: A Re-examination, Investment Property Forum, and Blake, N., Goodwin, A., McIntosh, A., & Simmons, C. (2011), Property and Inflation, Investment Property Forum).	

			Any regulation that creates disincentives for IORPs to invest in property by applying excessive solvency capital requirements will inevitably lead to them having to adopt less appropriate investment strategies that do not fully match their risk profiles and liability schemes. Reducing risk and promoting financial stability without undermining economic recovery and growth is a challenging task. Proportionate and appropriate regulatory responses that carefully analyse where risk lies and formulate a tailored response are therefore essential. In this context we question whether applying the SII regime to IORPs is the right approach. 4. SII's property SCR is based on flawed data – a 15% capital charge for property is more appropriate If, notwithstanding our comments above, EIOPA is determined to proceed with applying the SCR approach used in Solvency II to IORPs, it must take into account research which clearly demonstrates that the proposed 25% solvency capital charge for real estate does not represent the true volatility of property markets in Europe. A review of Solvency II (The IPD Solvency II Review, Informing a new regulatory framework for real estate, 15 April 2011, updated 21 July 2011) by independent research organisation IPD using data representative of European property market volatility clearly demonstrates that it would be unreasonable to impose a capital solvency charge of more than 15%. We hope that as a result of the QIS consultation process, EIOPA will conclude that the 25% solvency capital charge for real estate is not appropriate and that an SCR of not more than 15% more accurately reflects property	

			volatility across Europe. We strongly urge EIOPA and the European Commission to revise the solvency capital charge for real estate. A new SCR for real estate that uses all the data available and is more representative of all European property markets should be developed. The IPD review would be an excellent starting point for such an exercise, although other data sources are available and these should be explored. INREV is currently collecting information on the range of data sources available to measure real estate volatility across European Member States by market and sector that will include details on the frequency, length of time series and modelling assumptions used. This project should be completed in several months and will provide policymakers with a mapping of data sources that should be extremely useful for calculating a solvency capital charge for real estate that more accurately reflects the property volatility than the currently proposed 25%. We would be happy to meet with EIOPA and Commission officials to explain this project in more detail and explore how it might be used to support a more representative solvency capital charge for real estate volatility in Europe. 5. Negative impact on European macro economy Real estate is the backbone of businesses and society. The commercial property sector is the key provider of offices, shops and other retail facilities, factories and warehouses, housing and other forms of real property that are an essential part of the infrastructure for a well-functioning European economy. The commercial property sector delivers and manages the infrastructure needed for entrepreneurship to thrive,	

			and is also a fundamental source of employment, economic growth and technological advance. The commercial property sector directly contributed €285 billion to the European economy in 2011, which is about 2.5% of the total economy, and it directly employs over four million people (Real Estate in the Real Economy; Supporting growth, jobs and sustainability (2012) EPRA/INREV). Investments in commercial real estate also provide critically important long-term and relatively stable returns for institutional investors. Regulation that creates incentives to lower investments in real property through high solvency capital charges will therefore have three major undesirable effects: ☐ it will lower risk-adjusted returns to IORPs, making it more difficult for them to meet their payment obligations; ☐ it will result in the reduced creation of new jobs and lower GDP stimulation at a time when European economies need to support growth and jobs; and ☐ it will result in an underperforming European real estate sector, less able to meet the infrastructure and accommodation needs of a growing population and respond to the challenges of reducing energy consumption in line with the EU 2020 Energy Efficiency targets (http://ec.europa.eu/energy/efficiency/consultations/doc/2012_05_18_eeb/2012_eeb_consultation_paper.pdf). Currently €715 billion of investments in real estate are provided by IORPs and insurers (Real Estate in the Real Economy; Supporting growth, jobs and sustainability (2012) EPRA/INREV). Considering that IORPs are among the largest investors in real estate, it can be expected	

			that a high solvency capital requirement will sharply reduce this amount, just as some European insurers report that high solvency capital requirements under SII are already causing them to reduce their real estate investments (http://ipe.com/realestate/solvency-ii-will-force-insurance-companies-to-slash-real-estate_42430.php), with a resulting reduction in economic growth and jobs. Reducing volatility in financial markets will create a favourable investment climate from which the real estate sector will benefit as a whole. Real estate is a highly capital intensive industry, which relies more than many other sectors on readily available financing opportunities. However, the right balance needs to be struck in regulatory terms between creating stable and transparent markets, and not undermining the ability of the real estate sector to continue to foster economic growth and employment in Europe. Achieving this balance is critical if real estate is to support the Europe 2020 strategy of achieving greater long-term investment in the European economy. The proposed high solvency capital requirements for investments in risk-bearing capital creates a strong incentive for IORPs to invest in so-called risk-free bonds instead of physical assets and businesses such as property funds and property companies. IORPs are important suppliers of capital to many kinds of 'real economy' businesses, not only the property sector, and an SCR regime for IORPs could restrict their investment opportunities. That would not only result in expected lower returns but also in expected lower pension benefits (or higher contributions). This outcome would also have a negative impact on growth and employment in the European Union and will not lead to greater long-term investment in the European economy.	

			We are concerned that other regulations such as CRD IV, SII, and possibly Shadow Banking, will reduce available capital during times when it is most needed. While we support the general principles of these regulations, EU regulators should proceed carefully when developing regulations that will further reduce the ability of major investors to finance the real economy. A regulatory change that makes this less likely undermines other strong political objectives. As stated above, this is particularly relevant to the question of transposing of SII principles to IORPs without first understanding the impact of the SCR on capital flows into the built environment. The impact of distorting incentives to invest in property by imposing excessive solvency capital requirements on IORPs will have important implications for the European economy at a time when cash strapped Governments are looking to institutional investors from the private sector to buy property from the state, pay for infrastructure and new housing, and meet/finance the retrofitting needs of the European built environment. This is further exacerbated when taking into account the cumulative effect of recent financial market regulations. Closing comments We welcome the opportunity to comment on the IORP QIS. We would be happy to meet with EIOPA to explain any of the comments or suggestions contained in this submission in more detail and to explore ways in which we can constructively contribute to the development of a	

			balanced and effective IORP Directive. We would also very much appreciate an opportunity to share with EIOPA details of the data mapping project. Organisation Description EPRA is the voice of the European publicly traded real estate sector and represents publicly listed property companies, (including REITs), the investment institutions who invest in the sector and the firms and individuals who advise and service those businesses. The institutional investors that EPRA represent include the largest pension funds in Europe with a long track record of investment into the real estate sector. Between them our 200 members represent over €250bn of real estate investments. INREV is the European Association for Investors in Non-listed Real Estate Vehicles. Since its launch in 2003, it has grown to almost 350 members from more than 28 different countries. INREV's aim is to improve the accessibility of non-listed real estate funds for institutional investors by promoting greater transparency, professionalism and standards of best practice. INREV is led by institutional investors and supported by other	

			market participants such as fund managers, investment banks, academics, lawyers and other advisors. As a pan-European body, INREV represents a unique platform for sharing knowledge on the non-listed real estate funds market. The British Property Federation is devoted to representing the interests of all those involved in property ownership and investment. We aim to create the conditions in which the property industry can grow and thrive, for the benefit of our members and of the economy as a whole. Because our membership includes the biggest companies in the property industry - property developers and owners, institutions, fund managers, investment banks and professional organisations that support the industry - we are able to provide the knowledge and expertise needed by legislators (UK and EU) and regulators (including various financial, planning and environmental bodies) in taking their decisions. The German Property Federation ZIA is a membership organisation founded in order to represent the interests of the whole real estate industry. We pursue the objective to create an environment in which real estate investments can prosper. Therefore ZIA advocates the interests of the German real estate industry vis-à-vis the political decision makers in Germany and in the EU. Our more than 140 members – including the biggest companies in the property industry - represent the industry at	

			any stage of the supply chain. Our membership also includes a various number of property linked associations. ZIA was founded in 2006 and is a member of the Federation of German Industries (Bundesverband der Deutschen Industrie). The Investment Property Forum (IPF) is the leading UK property investment organisation for individual members. It comprises an influential network of approximately 2,000 senior professionals, including investment agents, fund managers, bankers, lawyers, researchers, academics, actuaries and other related professionals, all active in the property investment market. The IPF's objective is to enhance the understanding and efficiency of property as an investment, including public, private, debt, equity and synthetic exposure, for its members and other interested parties, including government by undertaking research and special projects and ensuring effective communication of this work. The Swedish Property Federation is a highly pro-active trade organization promoting an efficient real estate market in Sweden. Almost 20,000 property owners are members, organized in one of Sweden's 5 regional property associations. Our members represent the entire spectrum of the property industry, owning or managing premises and rental apartment buildings, industrial properties and tenant-owners' associations.	

			The Association of Real Estate Funds represents the UK unlisted real estate funds industry and has more than 80 member funds with a collective net asset value of over €52billion under management on behalf of their investors. The Association is committed to promoting transparency in performance measurement and fund reporting through the AREF Code of Practice, the AREF/IPD UK Pooled Property Funds Indices and the AREF/IPD Property Fund Vision Handbook. RICS is the world's leading qualification when it comes to professional standards in land, property and construction. In a world where more and more people, governments, banks and commercial organisations demand greater certainty of professional standards and ethics, attaining RICS status is the recognised mark of property professionalism. Over 100,000 property professionals working in	

			the major established and emerging economies of the world have already recognised the importance of securing RICS status by becoming members. RICS is an independent professional body, committed to setting and upholding the highest standards of excellence and integrity – providing impartial, authoritative advice on key issues affecting business and society.	
47.	Ernst & Young LLP	General Comment	We provide only general comment on the technical specifications, whose publication we welcome and which appears to us to cover the necessary aspects of an initial Quantitative Impact Study . ☐ We approve of the inclusion of options in the proposed technical specifications, to enable analysis of areas left open in the EIOPA response to the Call for Advice. ☐ We suggest that it would be helpful, for parties planning participation in the QIS, to provide greater clarity as to the tools and templates that will be provided, particularly for the purposes of calculating technical provisions. ☐ We note that the results of the QIS will depend crucially on the presence (and nature) or absence of protection mechanisms, and in view of the wide range of such mechanisms in different environments it is important that the QIS deals transparently with the nature of such mechanisms as are in place, and if appropriate with their absence. We note the risk that in stressed conditions a pension protection scheme	Noted.

			may be unable to meet all the calls made on it. We note the assertion that the proposed technical specifications are not to be read as proposals for possible future level 2 measures, and that they address objectives as set out by the Commission. Whilst acknowledging that EIOPA is constrained by the original Call for Advice, we note with concern the degree of opposition to the Commission's preliminary suggestions as reflected in the Call for Advice, and particularly the distribution of that opposition among Member States. We believe that it is important to deal sensitively with differences between (and within) Member States in the structure of retirement benefits that are offered by IORPS and specifically to address the impact of introducing change on the employers who pay for the pension benefits and on their Member States.	
48.	EuroCommerce – The retail wholesale and internatio	General Comment	Introduction: EuroCommerce and the commerce sector EuroCommerce represents the retail, wholesale and international trade sectors in Europe. Its membership includes commerce federations and companies in 31 European countries. Commerce plays a unique role in the European economy, acting as the link between manufacturers and the nearly 500 million consumers across	Noted. Solvency II based approach follows from Commission's CfA EIOPA will reconsider HBS proposal after the QIS

			Europe over a billion times a day. It is a dynamic and labour-intensive sector, generating 11% of the EU's GDP. One company out of three in Europe is active in the commerce sector. Over 95% of the 6 million companies in commerce are small and medium-sized enterprises. It also includes some of Europe's most successful companies. The sector is a major source of employment creation: 31 million Europeans work in commerce, which is one of the few remaining job-creating activities in Europe. It also supports millions of dependent jobs throughout the supply chain from small local suppliers to international businesses. General comments In the view of commerce employers, Solvency II rules would make occupational pension schemes unaffordable for employers to run, forcing schemes to close. Future pension provision would have to be provided by defined contribution (DC) schemes, where members undertake the risk instead of the employer and typically receive lower benefits than those offered by a DB scheme. The closure of DB schemes would also put a strain on the state at a time of economic uncertainty, as more people are likely to rely on the State in the absence of adequate occupational pensions. This not only undermines the Commission's original objective, but also the Flexicurity agenda, which aims to create more security for employees. Higher funding requirements would force businesses to divert money away from investment in growth, enterprise and job creation, undermining the EU's economic goals at a critical time. In practical terms, this may restrict companies capital for store development.This may also lead to a loss of tax revenue for the state in the form of corporation and income taxes, and VAT. The proposals could also destabilise already volatile financial markets and	

			drive capital out of the EU. Pension funds would be forced to shift to low-return investment strategies, choosing bonds over equities, which could significantly impact companies' share prices and their ability to raise capital in the markets. Given the diversity of member states' pension arrangements, which are tied to national social and labour laws, it would not be sensible to impose a single funding regime. Many member states, such as the UK, have the Pension Protection fund and other strong security mechanisms in place, which have proven robust during the economic crisis. We agree with the European Economic and Social Committee's opinion┐ that insurance companies and occupational schemes are not comparable and therefore reject the idea that there should be a level playing field. Firstly, unlike insurance companies, pension funds do not operate on a commercial basis - they are part of an employer's benefit package for staff. Secondly, Solvency II was specifically designed to address the short term volatility risks in the insurance sector. It would be wrong to apply the regime to pension funds as there is a far lower degree of volatility in cash flows, with contributions paid by the sponsoring employer over a much longer time period.	
49.	European Association of Public Sector Pension Inst	General Comment	The European Association of Public Sector Pension Institutions (EAPSPI), which covers 26 pension institutions and associations of the public sector out of 16 European countries and speaks for 33 million people throughout Europe, would like to make the following general remarks ahead of the answers in detail: EAPSPI fully agrees with the aim of the Commission in the Call for Advice of April 2011, according to which a risk-based supervisory system for	Noted. Resemblances with Solvency II follow from Commission's CfA Aim of HBS is to take into account

			IORPs should be developed on the basis of the IORP Directive as the starting point. This approach is justified due to the basic differences between IORPs and insurance undertakings, as EIOPA itself has identified several times (i.e. in the previous second consultation document on the review of the IORP Directive, EIOPA-CP-11/006, in particular see 9.3.6 a – h). EAPSPI has reservations that in spite of this commitment, this consultation on the technical specifications – as well as the previous consultation on the IORP review – is built on the Solvency II principles and structure. EAPSPI continues to be of the opinion that the supervision of IORPs requires a regulatory regime sui generis that truly accounts for the differences of IORPs and insurance companies. Due to the differences of pension schemes all over the EU, EAPSPI suggests to respect those differences among occupational pension systems in the different member states when designing a new regulatory framework. Bearing in mind the details of the HBS concept laid out in the technical specifications draft for the QIS, EAPSPI is of the opinion that the purpose of the HBS and EIOPA's conclusion in case of a deep impact on IORPs and occupational pensions the study on capital requirements is not clear: - Does the HBS "only" have an informational character in order to foster transparency, measuring and comparability of security mechanism of IORPs, as was mentioned several times in EIOPA's recent consultation document from October 2011 and EIOPA's advice to the Commission in February 2012? or	differences between IORPs and insurers HBS is used for funding purposes, in line with Commission's objectives EIOPA will reconsider HBS approach after the QIS

			- Is the HBS meant to be a supervisory tool – this was also mentioned by EIOPA – supposed to automatically trigger consequences in terms of higher solvency capital charges for IORPs and supervisory actions? Given this uncertainty, EAPSPI would like to emphasise that commenting on the HBS is difficult. EAPSPI therefore expresses its general concern with the HBS as presented in the draft for the technical specifications. As the QIS consultation does not offer the possibility to address this issue and to question the character of the consultation (see on this EAPSPI's answer to Q1), EAPSPI sketches its general reservations about applying the Solvency II principles and the SCR structure to IORPs. It would not be possible to answer EIOPA's question on the QIS without being able to refer to this argumentation. ☐ The Solvency II regime is not necessary for IORPs. The already existing security mechanisms have proven to be safe during the past crisis. ☐ IORPs have specific inbuilt security mechanisms that ensure the solvency position of pension schemes. In some pension schemes, contributions and the main benefit parameters can be modified by the employers and the employees' representatives.	

			☐ Many pension schemes, especially of the public sector in the Netherlands, Scandinavian countries or in Germany, foresee paritarian management. Paritarian management involves social partners on the Board of Directors of the IORP or in similar internal supervisory bodies. Due to paritarian representation, the interests both of the employers and of the employees and beneficiaries are well-balanced and the benefit security can therefore be ensured. ☐ Due to the fact that IORPs in the public sector are social institutions and therefore not chiefly for profit organizationsorganisations, the possibility of a potential conflict of interests between member protection and profit maximizing behavior and dividend payments is minimised. ☐ For DB- and hybrid DB-/DC-schemes, in at least some Member States, employers have the ultimate responsibility to fulfill the respective pension commitment ☐ The structure of Solvency II is not appropriate for the regulation of IORPs due to the differences between IORPs and insurance undertakings. Because of the long-term nature of pensions, the actual risks IORPs are facing differ from those of insurance undertakings. Indeed the stable and long-term character of IORPs' liabilities has various risk mitigating effects. The methods of measuring and quantifying financially the risks of IORPs as laid out in Solvency II do not meet the nature of IORPs. These aspects	

			should be taken into consideration when redesigning the regulatory framework for IORPs (see in particular EAPSPI's answers to Q2, Q10 and Q17 on these aspects). ☐ The HBS and the calculation of the SCR in the draft specifications fully rest on the Solvency II structure of measuring and quantifying risks which EAPSPI regards as inadequate for IORPs. By maintaining this structure, the HBS itself is not an appropriate approach for IORPs. The fact that security mechanisms of IORPs are considered at a later stage may not solve this general problem (see EAPSPI's answer to Q2). ☐ Additionally, given the proposals of EIOPA in Section 2.6, EAPSPI is of the opinion that the HBS is not appropriate to reach the intended goal of the Commission namely to precisely assess and quantify the "true risk position" of IORPs (CfA 4.1), because of the design and the valuation of the HBS. The valuation still involves a high degree of arbitrariness and leads to pseudo-certainty which contradicts the notion of a neutral, objective and informative balance sheet. Also, the question arises how to evaluate the financial solidity of a public sector institution as employer and sponsor. Moreover, EIOPA introduces an additional channel for bringing more volatility into the balance sheets of IORPs (see EAPSPI's answer to Q10). Furthermore, the HBS leaves room for what could be named the "Holistic Balance Sheet Paradox": The security level for the employees is the same as without the HBS, economically speaking nothing changes, but - with the HBS - costs increase dramatically. The existing security mechanisms today already safeguard at a low cost exactly the same level	

			of security which would be created with so called quantitative precision in the new regulatory regime for a much higher cost (best case) if not for the price of termination of existing pension scheme arrangements (worst case). As a conclusion, given the quality of the various existing security mechanisms of IORPs and the problems of a precise quantification and risk assessment for IORPs and their security mechanisms, EAPSPI argues for not implementing the HBS because the security mechanisms of IORPs as "holistic assets" deliver a flexible insolvency protection and make up for truly exceptional cases that should release IORPs from a Solvency II-like risk-based regulatory regime. Again, EAPSPI regrets the very limited time frame of this complex and important consultation. The consultation of the technical specifications for the first time offers stakeholders the possibility to study thoroughly the long debated HBS. Due to the short time frame, EAPSPI has decided to concentrate on only certain aspects of the consultation document.	
50.	European Central Bank	General Comment	The Directorate General Statistics (DG-S) of the European Central Bank (ECB) welcomes the opportunity to provide its comments on the Consultation Paper EIOPA-CP-12/003 on the draft technical specifications for the Quantitative Impact Study (QIS) of EIOPA's advice on the review of the IORP Directive. DG-Statistics does not provide a detailed response to the public consultation due to the highly technical level of details that are under	Noted

			discussion. Instead it aims to explain in the General Comment the broad requirements which future reporting would need to meet in order to be an appropriate basis for ESCB statistics. The ECB's competencies to collect statistical data for the pension fund sector are laid down in Council Regulation (EC) 2533/98 as amended. The DG-S has the task to compile harmonised financial statistics for the euro area, which are input into the analyses and decision making of the ECB and ESRB. As part of this statistical information, the ECB compiles and publishes quarterly euro area statistics on assets and liabilities of (insurance corporations and) pension funds, based on available national data. As the quality, coverage, breakdowns available and type of data published at the moment are insufficient to fulfil the policy and analytical needs, the ESCB will engage in the near future in a longer term approach for harmonised statistics on pension funds. Similarly to the on-going project to develop ESCB statistics based on the new supervisory reporting requirements under Solvency II for insurance corporations, the ECB considers that future supervisory reporting requirements concerning pension funds could significantly contribute to the information basis that will be required by the ESCB under a "steady-state approach" for pension funds statistics. The development of new ESCB statistics for pension funds based on supervisory reporting would require a regular and timely (quarterly and annual) reporting by pension funds under supervision according to a common and mandatory reporting scheme. In particular, separate information on Defined Benefit (DB), Defined Contribution (DC) and Hybrid pension schemes are deemed necessary, not only for monetary statistical purposes but also for economic analysis and financial stability purposes. The main examples of the categories and type of information required are the following: 1. Balance sheet data, reported quarterly on solo/non-consolidated	

			basis and on a group/consolidated basis. Detailed information on the assets held and liabilities issued by IORPs is essential, not only in terms of outstanding amounts at the end of a period, but also in terms of transactions which occur between two reporting periods. Information including instrument breakdown, their original maturities and a breakdown of the geographical residency and institutional sector of the counterparts according to ESA 2010 would be also required. Information regarding technical provisions should be made separately available for different types of pension schemes (DB, DC, and Hybrid schemes). Quarterly security-by-security reporting for the securities portfolio of IORPs is important in underpinning macro-economic and macro prudential analyses. This will enable to monitor and better interpret changes of the securities portfolio, the interlinkages with other financial intermediaries, and will also contribute to the assessment of risks (e.g. by counterpart sector and issuer country). 2. Other statistical requirements may concern statistical aggregates derived from supervisory information on capital adequacy, capital ratios and solvency information. Furthermore, basic information that allows the derivation of main components of statistics on the profit and loss accounts may be needed. As regards the proposed holistic balance sheet approach it is understood that this combines and values financial and contingent assets and liabilities of IORPs in order to take into account all economic exposures that IORPs face, regardless of whether these exposures would be recorded on a balance sheet in an accounting sense. The ECB/DG-S notes that for statistical purposes of the ECB it would be required to derive from the holistic approach a “conventional” financial balance sheet, with the information mentioned above in point 1 being clearly identifiable and with financial assets and liabilities classified and valued according to ESA 2010. With a view to limiting the reporting burden on	

			the industry, the DG-S intends to combine the statistical requirements for pension funds with the future supervisory requirements under the revised IOPR Directive to the extent possible. Making it possible to derive a financial balance sheet from the HBS would be a significant step forward in this direction. Moreover, as IORPs providing only pure defined contribution schemes are not included in the Quantitative Impact Study exercise, DG-Statistics would be happy to provide comments in case a public consultation is launched for these pension schemes.	
51.	European Federation for Retirement Provision (EFRP	General Comment	The European Federation for Retirement Provision (EFRP) welcomes the opportunity to comment on the Draft Technical Specifications for the EIOPA QIS. Summary: 1. The EFRP believes that the IORP Directive revision will not have the outcomes desired by the White Paper and the EU2020 strategy. It contains the risk doing the opposite, namely reduce the adequacy of pension provision, which is of concern since recent pension reforms have mostly focused on preserving the long-term sustainability of systems rather than pension adequacy. 2. The EFRP welcomes the fact that some of the unique characteristics of IORPs are taken into account in the Holistic Balance Sheet (HBS) approach; yet, the proposed HBS model will be an unworkable tool for IORP supervision due to the huge complexity and subjectivity of the chosen assumptions. Other models for IORP supervision should also be taken into consideration. 3. The QIS as it is proposed in the consultation document, is not sufficiently comprehensive to serve as a basis for a revised IORP	Partially agreed. Solvency II based approach follows from Commission's CfA EIOPA will reconsider HBS approach after the QIS HBS is used for funding purposes, in line with Commission's objectives There is not enough information at

			Directive. It will be very hard for EIOPA to come up with an adequate advice due to the very tight timeframe of EIOPA. The EFRP asks the European Commission to provide more time to EIOPA. A coherent, detailed process free of time pressure is needed to come up with a suitable prudential framework for IORPs. General remarks: 1. IORP Dir. revision and the bigger picture: adequacy and coverage should be the aim The EFRP sees the revision of the IORP Directive as part of the broader pension reforms in the European Union, as envisaged in the White Paper - An Agenda for Adequate, Safe and Sustainable Pensions. Pension reforms in Member States generally put pressure on the 1st pillar pensions, so the 2nd and 3rd pillar pensions have to be the solution to address the adequacy of European pensions. However, the starting points in each Member State are different and the reforms are based on different approaches. The aim of the EFRP is that Member States and EU regulations make it easier, not harder, for companies to set up and develop workplace pensions. Indeed, we urge the EC to recognise the comprehensive pension reforms going on in the Member States: if the costs of workplace pension provision go up through the IORP Dir. revision, then the 1st pillar will have to carry more of the pension burden, but this is exactly the opposite of what the EU recommends. The QIS follows the Call for Advice and its results may end up in a revised IORP Directive. But the question is: "Does the revision take priority over the general pension systems and their reforms?"	this stage to specify supervisory responses and proportionality rules Some areas of technical specifications have been simplified Inflation risk module added as option EIOPA agrees more QISs are needed

			The Commission has proposed that "any new supervisory system for IORPs should not undermine the supply or the cost-efficiency of occupational retirement provision in the EU." The EFRP fully endorses this proposal and wants to highlight that in many Member States occupational pensions are voluntary benefits, that employers grant to their employees. IORPs are often organized by employees through collective bargaining and employers and are not-for-profit institutions. This implies that any solvency requirements, which will make IORPs more expensive for the employer or that will bind more of the employers' capital that could be otherwise used for his operative businesses, will significantly reduce the attractiveness of the respective IORP for the employer. Employers may in future offer forms of occupational pensions that leave their employees with much more uncertainty than today or simply stop offering occupational pensions to their employees. After reading the proposed Technical Specification of the QIS, the EFRP is concerned that the revised IORP Directive might hamper the supply of cost-efficiency of occupational retirement provision. The proposed risk-based capital requirements and valuation with the risk-free interest rate, especially if based on a flawed definition of risk and short-term market based parameters, are inherently volatile as well as pro-cyclical and will endanger the stability and long-term sustainability of IORPs. Given that Solvency II is itself based on the capital adequacy framework for the banking industry, which has a very different business model to insurance, we fear that the convergence of behaviour influenced by regulation will increase the risk to the financial system and the wider economy.	

			The proposed structure of the high solvency capital requirements for investments in risk-bearing capital provides a strong incentive for IORPs to invest in (risk-free) government bonds instead of equity, listed and non listed and alternative investments or in equity. This can not be desirable since IORPs should be able to remain important suppliers of capital to listed European companies, small and medium-sized enterprises (SMEs) as well as a great number of innovative start-ups. An SCR regime for IORPs could limit their investment opportunities. This will not only result in expected lower returns and thus expected lower pension benefits (or higher contributions), but also have a negative impact on growth and employment in the European Union. The proposed revision is therefore not in line with Europe 2020 Strategy and with the aim of having more long-term investments to improve the competitiveness of the European economy. Finally, the proposed complex model would force IORPs to spend many resources on financial and other services in order to build stochastical models, which would draw resources away from IORPs rather than flow into pension assets. Furthermore, the EFRP remains sceptical whether the IORP Directive revision process will result in more cross-border pension provision, which was one of the initial reasons for starting the revision process. We believe that the EC's focus should first and foremost be on stimulating supplementary workplace pension provision rather than on cross-border pension activities. We believe that EU efforts on workplace pensions should particularly focus on the great number of workers who are not covered by them, in order to contribute to pension adequacy for all European citizens.	

			2. The Holistic Balance Sheet is an inappropriate tool for IORP supervision In its response to the Call for Advice, the EFRP welcomed the fact that the specific characteristics of IORPs will be taken into account in the revised IORP Directive. However, the proposed model of the Holistic Balance Sheet (HBS) is an unworkable tool for IORP supervision, due to the huge complexity and subjectivity of the assumptions chosen by authorities. The proposed QIS methodology does not address the most important question – how will the HBS be used in practice? If it is to replace the existing scheme-specific funding regime, then clarity is needed about what kind of recovery periods will be permitted. This would have a direct and very significant impact on pension schemes, employers, employees and the entire economy. The Technical Specifications of the proposed QIS show that a lot of different and subjective assumptions have to be made in order to calculate the HBS. This makes the HBS very sensitive to model risk: the accumulation of assumptions leads to an accumulation of insecurities. The EC's aim of making schemes comparable appears unfeasible. The EFRP therefore opposes the HBS model, as it is inappropriate as a supervisory tool to measure long term-liabilities and investment horizon by IORPs.	

			No copy-paste of Solvency II? A large part of the QIS consultation document seems to have been copy-pasted from the Solvency II Directive despite the European Commission's promises that the IORP revision would not be a copy-paste exercise. Those sections in the consultation document that are pension-specific (ie, not directly inspired by the Solvency II Directive) appear somewhat simplistic and require more consideration and a more sophisticated approach. For example, the importance of inflation risk is underestimated. 3. The QIS consultation process The EFRP welcomes the opportunity to respond to the Consultation on the Technical Specifications for the Quantitative Impact Study. The EFRP regrets the very short timeframe in which stakeholders are asked to respond to this very technical consultation. We also regret to see that this first QIS is very detailed, which makes it hard for individual IORPs to provide responses. IORPs will be subject to the revised Directive and should therefore get the chance to study the technical specifications and submit their reactions. We believe that this QIS will not give all the necessary insights needed for a future IORP II directive. Before the European Commission makes a proposal for a new Directive, it should have an adequate overview of the possible answers/insights/numbers, impacts and the sensitivity to the different assumptions and options. Unfortunately, the proposed QIS does not make this possible. There is too little guidance on new items such as	

			the valuation of steering and adjustment mechanisms and there are many different interpretations and subjective assumptions to be made. This makes the HBS very sensitive for model risk: the accumulation of assumptions leads to an accumulation of insecurities. Therefore, many different responses to the QIS will be possible and this makes the different QIS exercises not comparable. As some crucial elements in the prudential framework are still unknown (recovery periods, tiering of assets and liabilities), the real impact on pension contributions, employers and pension benefits cannot be calculated at this time. Furthermore, this prudential framework would have to be set up before the value of the different valuation and steering instruments can be determined. The EFRP is concerned about the process of running the QIS. In some Member States, the supervisors will respond to the QIS, with individual IORPs unable to respond. It will be more useful for EIOPA to receive feedback from IORPs and the qualitative questionnaire instead of supervisors or consultants. After all, when a new IORP Directive is adopted, it will be the IORPs themselves who will have to perform all the calculations. Before a proposal can be tabled, it should be clear that IORPs are able to do all the calculations, what the sensitivity of the different assumptions is and what the impact of the QIS will be on real IORPs. Overall, only eight or nine Member States will participate in the QIS. This raises the question of the legitimacy and representativity of the QIS. IORPs that will be subject to the new -very technical- rules will be unable to be involved in the process in some Member States.	

			Performing this QIS will be very expensive for IORPs. This results in the risk that only big IORPS will have the resources to perform the QIS and present results. The sponsor of small IORPS could perceive this complexity as a sign for the future regulation for IORPs, that could be too burdensome. Unfortunately, the consequences of this process would be the closure of current occupational pension plans. Overall, the EFRP believes that if the EC wanted to obtain enough data within a short time to justify proposing a new IORP Directive, then this QIS will not achieve its objective. Equally, if EIOPA wanted to hold a general QIS to answer the question: "Is the HBS a useful tool for supervisors?", then this objective has not been achieved either. The current QIS cannot answer all questions and is too hard for most single IORPs to answer. It is not an adequate follow-up to the CfA, and it is not enough to base the new IORP Directive on. Since the concept of the HBS and the valuation of the steering and adjustment mechanisms is completely new, all the practical difficulties cannot be addressed in one QIS; therefore, more QISs and further detailed analysis are needed in order to calibrate all parameters if an attempt is actually made to develop the HBS as a workable supervisory tool. More QISs will have the advantage that there could be an adequate process of interaction between supervisors, IORPs and other stakeholders in order to come-up with an appropriate supervisory tool. The EFRP has answered the 23 questions. However, the EFRP wants to highlight that this does not imply that the EFRP supports the methodology of a HBS approach as supervisory instruments for IORPs.	

52.	European Private Equity & Venture Capital Associat	General Comment	The European Private Equity and Venture Capital Association (EVCA) welcomes the opportunity to comment on the Draft Technical Specifications for the quantitative impact study (QIS) of EIOPA's advice to the European Commission on the review of the IORP Directive. The EVCA will focus its comments on this consultation on the areas of key relevance relating to the private equity and venture capital industry. The EVCA welcomes the fact that a quantitative impact study is to be conducted before any revision is proposed. Much of the EVCA's comments, particular on the market consistent approach and SCR, are based on a Research paper ""Calibration of Risk and Correlation in Private Equity"┐ supplied to the Solvency II team at EIOPA on May 20th . The EVCA recommends that EIOPA review this paper both in the context of risk calibrations under Solvency II, and the context of developing this QIS and any wider review of the IORP Directive. As a result of the EVCA's findings in this paper we recommend that investments in private equity funds are treated in a single, and separate, sub-module within the market risk category of the SCR. The EVCA, also has concerns over the scope, timing and coverage of the quantitative impact survey: · A large part of the QIS consultation has been copy-pasted from	Noted. Solvency II based approach follows from Commission's CfA Aim of HBS is to take into account differences between IORPs and insurers EIOPA will reconsider HBS approach after the QIS Some areas of technical specifications have been simplified, other areas will be further developed

			the Solvency II Directive, in particular the Solvency Capital Requirement, and the associated classification of asset classes and their subsequent risk weightings. This is despite assurances from the European Commission that there will be no copy and paste of Solvency II for IORPs. · The use of Solvency II, designed for the insurance industry, is not reasonable as an IORP has a much longer risk horizon. This longer risk horizon requires other risk measurement and calculations. Illiquidity should play a much less prominent role. Diversification effects, which may be present in particular among alternative investments such as private equity, real estate, and infrastructure needs to be modeled much more carefully. Assuming the same or even zero return expectations is unreasonable for a long risk horizon and implies a discrimination against long term, illiquid asset classes such as private equity. Such treatment might avoid investment in such assets the returns of which are much needed in a low interest rate environment to fund long term liabilities. In addition the provision of such long term capital is a clear requirement for Europe to overcome its deep economic crisis. · The use of the Solvency II SCR also implies a repeat of inappropriate data and methods of calibration. · Where the specificities of pension funds have been taken into account (i.e. not directly inspired by Solvency II) further analysis is required as these are not detailed enough in the current consultation. · The EVCA has concerns about the feasibility of The Holistic Balance Sheet (HBS) as a tool for pension fund supervision, as it is based on many subjective assumptions and will be extremely costly and complex for IORPs to set up and manage. This will be to the detriment of pension plan members and not achieve its goal of making pension	

			schemes comparable. ☐ This QIS is very detailed and the timeframe very short. This makes it very difficult for individual IORPs to provide responses to this consultation. IORPs will be subject to any revised Directive and as such should have the opportunity to study the technical specifications and submit their reactions. ☐ Only eight member states will participate in the QIS, raising concerns over the legitimacy and the extent to which the QIS is representative. In addition in some member states only supervisors will respond, rather than the individual IORPs who will be subject to any revised Directive. The overall market-risk approach for private equity and venture capital represents a fundamental misunderstanding of the risk faced by an institutional investor in private equity. The EVCA wishes to point to the adverse impacts of this approach on economic growth and long-term investment, by reducing investment in non-listed companies, in particular small- and medium-sized companies, the backbone of the European economy. Pension funds invest in the private equity and venture capital asset class as the characteristics of such investments corresponds well with their long-term investment horizon and meets their interest to invest in an asset class of substantially different characteristics compared to listed equities and bonds. Private equity funds, which operate over at least a ten year period, have for many years been trusted by many of Europe's largest stewards of current and future pensioner's income as a source of	

			stable, strong, risk adjusted returns. This explains why, in the period from 2006 - 2010, pension funds accounted for over 36% of all funds raised by the European private equity industry. As well as delivering strong returns to pension funds - critical for defined benefit funds to be able to meet their pension liabilities as they fall due - private equity also provides the long-term investment needed to deliver growth in the real economy. It is this long-term growth, sustained by long-term capital, that provides a foundation for job creation, investment and tax revenues. Over the past four years, European pension funds have invested €53bn, via private equity, in European companies. A total of 83% of private equity backed companies are small to medium sized enterprises ("SMEs"), which constitute the backbone of the European economy. 1 Chakravarty/Diller (2012) EVCA Research Paper: "Calibration of Risk and Correlation in Private Equity 2Commissioner Barnier (1/03/12) Public hearing on the revision of the Directive on occupational pensions 3Mittnik(2011) Solvency II Calibrations: Where Curiosity Meets Spuriosity	
53.	Evonik Industries AG Konzern	General Comment	Evonik is one of the world's leading specialty chemicals companies. Evonik has roughly 33,000 employees worldwide including nearly 22,000 employees in Germany. Subject to certain conditions, Evonik offers retirement benefits to current and former employees and their	Noted. Resemblances with Solvency II

			dependants. The pension scheme for Evonik's current and former employees and their dependants in Germany is based on various pension plans (including direct pension commitments as well as funding vehicles such as Pensionskasse Degussa VVaG – PKD (Pension Fund Degussa) and rückgedeckte Unterstützungskasse Degussa e.V. – RUK (Support Fund Degussa). We would like to thank EIOPA for its thorough consultation exercise. However, rather than going into the details of how the QIS should be operated, we would like to make some general comments: • First of all, the proposed technical specifications are heavily inspired from Solvency II – a legislative framework designed for insurance companies. In our view this approach is totally inadequate for IORPs which follow a completely different logic (see below). • Second, the level of detail in the consultation is well beyond the capabilities of most companies sponsoring IORPs and associations representing such companies. This will lead to the fact that many interested parties, although they would be highly affected by any legislation in this area, will not be able to comment properly. • Finally, we question whether any additional solvency rules for IORPs are necessary and thus whether the QIS will serve any purpose at all. We	follow from Commission's CfA EIOPA will reconsider HBS approach after the QIS

			will focus our comments in this area. 1) A level-playing field? Occupational pension systems are social schemes used by the employers and do not involve financial market products traded on the free market. Occupational pension schemes are specifically offered by employers to their employees whose representatives are frequently involved in the organisation of these schemes at occupational level. The German occupational pension system does not contain any extensive options for the beneficiaries or short-term investment strategies. Rather, it is characterised by long-term benefit. Unlike financial market products, it is the employers who are liable by law for the pension commitment and other forms of occupational pension towards their employees. There is no level-playing field for the products of the financial services industry on the hand and occupational pension systems on the other. 2) Safety A special feature of the German occupational pension system is the secondary liability of the employer who is liable by law for the satisfaction of every commitment given to an employee with respect to an occupational pension. Furthermore, laws are in place in Germany to protect occupational pension schemes: depending on the method, either the Federal Financial Supervisory Authority is the supervisory body or insolvency insurance is provided by the Pensionssicherungsverein aG (PSVaG). The global financial and economic crisis was not triggered by occupational schemes. On the contrary: the occupational pension schemes – at least in Germany – survived the crisis with comparatively few scratches in view of their unique structure, the statutory	

			requirements and precautionary measures. The stability of the schemes proved itself precisely in these times of crisis; the socio-political objectives have been and continue to be achieved. Since occupational pension schemes do not offer financial market products (see above), the application of Solvency II – also in the form of a Holistic Balance Sheet (HBS) as proposed by EIOPA – to occupational pension schemes would be neither necessary nor wise. The European solvency provisions that already apply to occupational pension schemes have led to considerable financial burdens (4-fold increase in equity). Further regulations, such as incorporating occupational pension schemes into Solvency II, would increase the financial burden out of all proportion and jeopardize the objective pursued by them. The additional capital to be formed for protection purposes would be tied up and would not be available for investments and innovation which improve the competitiveness of companies and therefore secure jobs. 3) Disproportionate administrative burden The HBS would be no remedy at all: on the one hand, it is far from clear how significant the financial burden for IORPs would be in the case of applying this concept; on the other hand, the administrative burden especially for smaller occupational pension schemes would be enormous: compared to the application of Solvency II, which is already a highly complex set of rules designed specifically for the insurance sector, the additional administrative steps required by the HBS (valuation of security mechanisms such as sponsor support and pension protection schemes) would lead to even more bureaucracy and put IORPs at a clear disadvantage.	

54.	Federation of the Dutch Pension Funds	General Comment	Please find below the comments of the Federation of the Dutch Pension Funds on the EIOPA consultation concerning the draft technical specifications of the QIS IORP II. Our main concerns about this consultation can be summarised as follows: o We have strong doubts about the objectives of and the justification or need for a review of the IORP Directive. o The up-coming QIS will provide insufficient information for the basis for proposals for a revised IORP Directive: More QIS's are required. o The timeframe as provided is too short in order to come up with a proper impact analysis both from the point of view of stakeholders as from the point of view of EIOPA. o Pension Security needs to take into account the overall pension system of a country, including the balance between security, sustainability and adequacy. o More clarity is needed about the overall prudential framework. o We ask for a separate consultation on adequate recovery periods. o We do not think that the proposed Holistic Balance Sheet Approach will be workable as a supervisory tool. o We are very concerned that there will be a high degree of model risk and the risk of pseudo security. This has to be taken into account when evaluating the outcomes of this consultation.	Partially agreed. EIOPA will reconsider HBS approach after the QIS There is not enough information at this stage to specify supervisory responses and proportionality rules Inflation risk module added as option Strict procedures will be in place to ensure confidentiality of IORP data EIOPA agrees more QISs are needed

			o We have serious doubts about the proportionality of the exercise and are very concerned about the costs it will generate for pension funds and ultimately for the beneficiaries. o We request to handle sensitive information strictly confidential. Objectives: We are concerned that the objectives of the European Commission are not clear and concentrate too much on cross-border activities and internal market aspects instead of facilitating and promoting the setting up of IORPs. In addition, we are not convinced that the planned QIS- and HBS-exercise as such will contribute to increasing cross-border activities of pension funds. Usefulness of and Need for the review of the IORP Directive: We would like to revert to the concerns we have expressed from the very beginning of the IORP review process about the usefulness of and need for this whole exercise. We still have difficulties in seeing how a revised IORP Directive will remove or alleviate constraints to the freedoms as provided in the EU Treaty. This can be illustrated as follows: ☐ The Dutch occupational pension system (which complies fully with the current IORP Directive) does not hinder cross-border movement of capital. The IORPs and their service providers invest internationally, observing the prudent person rule as stipulated in the IORP Directive. ☐ The Dutch occupational pension system does not hinder mobility of workers. Pension rights acquired in the Netherlands will be	

			safeguarded and are not lost if someone decides to go cross-border. Dutch law does not affect accrued pension rights acquired abroad if someone decides to work in the Netherlands. ☐ The Dutch occupational pension system also does not hinder free provision of services. Pension funds may be set up in the Netherlands by everyone who wishes to do so when approved by the Dutch supervisory authority. An IORP authorized in the Netherlands may accept sponsorship by undertakings located in another Member State. An IORP authorized in another Member State may accept sponsorship by undertakings located in the Netherlands. It is our impression, that the situation in all or at least most of the other countries affected by the current IORP Directive is not very different from the situation in the Netherlands. In view of the foregoing, we wonder which barriers to cross-border movement, the European Commission is seeking to take away. We do not think that the lack of harmonized solvency rules is a barrier to cross-border movement. We therefore have serious doubts about the claim that harmonized (new) solvency rules will lead to more cross-border activities and will consequently lead to better and more efficient pension schemes. Efficient occupational pension schemes execute asset management on international capital markets which are strictly monitored and evaluated. Social partners negotiate premiums and pension scheme features. These efficient schemes are subject to and fitted within complex fiscal rules and national social and labour law, entirely in line with member states' prerogative for designing national systems for retirement provision.	

			As it is not the intention of the European Commission to undermine current efficient pension systems, it can neither be its intention that the present exercise will lead to an increase in premiums at Member State level. If this were to occur the purchasing power of members could shrink. Harmonization of solvency rules should not result in an increase of the premium of an individual pension fund or the de-risking of the asset mix. Such an increase would put a burden on the younger generations. Overall, a new supervisory regime should not lead to a distortion of the generational balance in current pension agreements. In addition, harmonized solvency rules could easily jeopardize the many tailor-made solutions (internal models) prevailing in the present Dutch Financial Assessment Framework (FTK). Those tailor-made solutions are necessary in order to cope with the large variety of Dutch pension funds (ranging from large to small company pension funds, from large to small industry wide pension funds and to funds in which the financial position is (in)directly related to public government decisions about wages / salaries and premiums). We would very much appreciate to have a discussion with the European Commission and EIOPA in in order to establish a proper mutual understanding about ☐ the remarks made in the public hearing on 1 March; ☐ the relation between the different objectives of this exercise in the Call for Advice and in the Commission's Green and White Paper on Pensions; ☐ the intergenerational aspects of pensions (also looking at justifiable balance between employees and beneficiaries).	

			Only one QIS? We do not support the European Commission's plans to run one QIS only. We think that the consultation document does not yet provide enough guidance. Assumptions directly derived from the Solvency II framework are further developed than those directly related to the specific nature of an IORP. Important examples are the missing inflation risk module and the valuation of security and adjustment mechanisms. In particular inflation risk for IORPs is more substantial than for insurers. More guidance and analysis are needed in order to come up with good solutions in this planned QIS. We think that the details of future quantitative requirements have to be decided upon at Level 1 in the Lamfalussy process. From a technical point of view more than one quantitative impact study is necessary, in order to calibrate and find a proper solution (if such a solution exists at all) for qualitative and quantitative requirements of a future IORP II Directive, also because the proposed technical specifications are not sufficient for an adequate overview of the impact on IORPs. More QISs would allow for calibrating all relevant data and aspects. Rather than rushing through this exercise, a good examination of existing good practice is necessary. It could be worth studying in depth the experiences of the current reforms of the Dutch FTK, a risk based supervisory framework with market consistent valuation, which is under reconstruction. There are plans to adjust the discounting rate for liabilities from short-term risk free rates to smoothing over longer periods.	

			EIOPA intends to use aggregated data. This will make an adequate comparison of the outcomes for pension funds and countries impossible. Probably, EIOPA will not get sufficient insight in the underlying assumptions of the stochastic analysis which may differ significantly between individual IORPs. These differences in the assumptions could lead to material differences. Therefore more than one QIS is needed. Timeframe: First and foremost we want to express our concern about the very short timeframe of this consultation. We doubt whether both the stakeholders and EIOPA are able to properly analyse and interpret all the facts and figures. We therefore reserve the right to backtrack on some of the issues at a later stage. We challenge the assumption that enough feedback, data and figures can be collected in such a short period of time for both the current consultation and the upcoming QIS exercise. This does not comply with the required degree of thoroughness and the necessary democratic process for such a sensitive and socially and economically relevant issue as pensions. Overall Pension Security: With regard to pension security, it is also important to incorporate state pension systems in the considerations. A purely Internal Market approach is therefore, in our opinion, inappropriate. It is likely that new quantitative rules for IORPs along the lines proposed will increase the costs of IORPs. In case the costs become too high for workplace pensions, employers might move away and as a consequence the pressure on the, in many Member States already strained, state pension systems might even increase further.	

			This would contradict the goal of the Commission "that any new supervisory system for IORPs should not undermine the supply or the cost-efficiency of occupational retirement provision in the EU." (Call for Advice, 2011) and "the aim that pensions should not only be secure but also be sustainable." (White Paper on Pensions from the European Commission, 2012). Furthermore, the proposed supervisory framework provides a strong incentive to change the investment policies of IORPs into more risk-free bonds instead of risk-bearing capital. As important long term investors, IORPs also have an important role to play in the EU 2020 strategy and investments in the future of the European economy, which, in turn, is very important for the affordability of future pensions We do not see the need for a uniform security level in a field so characterized by variations in retirement provision, both within the various pillars and the overall division over the pillars. As far as occupational pensions are concerned, the security level is part of the pension promise and up to social partners or Member States to decide upon. Another aspect is that in the end, higher security may imply lower pension benefits and as result less purchasing power for the beneficiaries. Social partners or Member States should be able to decide on the trade-off between pension security and sustainability. Prudential framework: The applicable prudential framework is still unknown. Without the prudential framework and clarity on items like trigger points for interventions, recovery periods and tiering, the real economic impact on contributions and pensions cannot be calculated and therefore there will	

			not be insight in the impact on sponsors and beneficiaries. This impact analysis is far more important than calculating the technical provisions and the capital requirements. In this respect, we think that the QIS seems more tailored for correct valuation than for chartering the impact of using the HBS framework. Furthermore, the prudential framework will also determine the value of the adjustment and steering instruments. An impact analysis of those issues is far more important than calculating the technical provisions and the capital requirements. We would advocate a separate consultation on adequate recovery periods, since there are significant differences between Member States. The HBS – the ultimate solution? We do not know whether the HBS will work in practice. We are not sure whether the HBS is aimed at supervising the institution or the pension scheme itself (from a member perspective). For multi-employer plans it is extremely difficult to calculate sponsor support. With a complete pension contract, where it is clear how surpluses and deficits will be shared between the different stakeholders, the HBS will by definition lead to a cover ratio of 100%. We therefore have strong doubts about the informational value of the HBS. One could also have a holistic framework rather than a holistic balance sheet with much more freedom for Member States to calibrate that framework to the local pension system. We suggest alternatives such as an ALM study or stress tests for your consideration. We think that this will be a better solution than the HBS. If a continuity analysis involving runs over a thousand different scenarios results in an IORP managing to be stable with the help of steering mechanisms, this can provide better information than a HBS with all the present insecurities and disadvantages.	

			Proportionality: The costs that will be generated by the execution of the QIS and the HBS itself seem to be disproportionate for especially small IORPs. In this respect we remind that any extra costs will be at the expense of extra contributions and/or lower benefits for pension fund members. Confidentiality: We want to advocate a strictly confidential treatment of the results of the up-coming QIS-exercise, in particular taking into consideration EIOPA's intention "to analyse the data of individual IORPs after the QIS-exercise and to explain possible inconsistencies in the QIS results." (Draft technical specifications QIS IORP II: Consultation Paper – Introduction -, Par. I.7.5.).	
55.	Financial Reporting Council – staff response	General Comment	The FRC is the UK's independent regulator responsible for promoting high quality corporate governance and reporting. We set standards for actuarial work for IORPs and insurers, for financial statements and for auditors. We are responsible for the UK's Corporate Governance Code which sets out standards of good practice for Board leadership and effectiveness, remuneration, accountability and relations with shareholders. The FRC executive includes actuaries with pensions and insurance expertise and other professionals such as accountants and lawyers. We are grateful for the opportunity to consider the draft QIS technical specification. We have found the draft specification helpful as it sets out how one possible method for determining new risk based capital requirements for IORPs might work. Given the pioneering nature of the proposals for developing a holistic	Noted. EIOPA will reconsider HBS approach after the QIS There is not enough information at this stage to specify supervisory responses and proportionality rules

			balance sheet, we consider that the consultation period to respond to the draft specification is too short to provide feedback on the detail of the proposals in the depth we would like. The proposals require considerable time to understand and consider their full implications. However, we have done what we can in the limited time available. We have the following observations about the proposed QIS: 1. We consider that the QIS process is being rushed and that this will result in imperfect information being available for decision-making. More time should have been spent ensuring that the QIS reflects the specific characteristics of IORPs. The potential changes to the IORP Directive are significant and sufficient time should be given to consultations to ensure that the information gathered is of high quality 2. The calculations are very complex, will be very time consuming to complete and will require significant input both for preparers and supervisory authorities. We consider that considerable simplifications might be made to the Solvency II style regime proposed which would not result in a material loss of value relative to the objectives of the proposed new regulatory regime for IORPS. We understand that EIOPA have been requested to use the Solvency II regime by the EC but we are concerned that this QIS will just generate answers to the wrong questions. There are areas in the document which are unclear. It would help potential respondents to the QIS if there were examples of completed calculations. 3. It would be helpful to have a clearer description (possibly a list) of the outputs required from participants in the QIS. 4. The QIS would be a good opportunity to estimate the cost of calculating the various elements of the holistic balance sheet and the capital requirements. This would be useful input for the Commission in performing the cost benefit analysis required by better regulation	Some areas of technical specifications have been simplified IORPs do not have to calculate risk modules that are not material EIOPA will provide IORPs with input spreadsheet with all required outputs Questionnaire will address practicability of calculations and possible policy reactions

			principles. 5. The consultation does not explain how the various calculations will be used – e.g. to determine minimum contributions. We consider that it is necessary to define the possible regulatory actions to assess the impact of EIOPA's advice. We consider that it might have been helpful if the QIS included an assessment of the impact of potential changes to the IORP Directive on the level of contributions from sponsors of IORPs. 6. Good regulation should be underpinned by a full analysis of the possible economic impact of any changes. For this review this should include any increase in pro-cyclical effects from applying Solvency II style measures to IORPs. It might be helpful to the Commission if the QIS might be used to investigate the management actions by sponsors and IORP managers that the proposed framework might lead to. We suggest that the EC might find information on the development of Solvency II style capital measures for IORPs of financial institutions such as banks and insurers through the financial crisis of 2007 to 2012 useful. If the final IORP Directive and supporting Level II implementing measures and Level III guidance includes the methodology in the draft QIS then we consider that the costs of compliance with the Directive are likely to be significant. It is not clear to us that the benefits from any changes will justify these costs. The FSA have estimated that the cost of implementing Solvency II by UK insurers is £2 billion with additional annual compliance costs of £200 million. The costs for IORPs are likely to be of a similar magnitude. Much of the costs of implementing a Solvency II based regime for IORPs will ultimately be met by sponsors. This might reduce the ability to invest in growth and employment enhancing projects. The calculations for smaller IORPs, even with the simplifications suggested in the consultation paper, will result in significant additional	

			costs to IORPs which in many cases will not have commensurate benefits for members concerning the security of their ultimate pensions. There will also be significant additional burdens on national regulators. If the proposals are to be developed further we would strongly urge EIOPA to consider how they can be implemented with proportionate cost. We are supportive of changes to the IORP Directive which will result in better governance, understanding and control of risks. We consider that this might be better achieved through pillar 2 type regulation rather than pillar 1.	
57.	German Confederation of Skilled Crafts	General Comment	Despite the serious reservations expressed by all Member States concerned as well as national and European social partners, the planned quantitative impact study (QIS) also shows that the considerations of EIOPA and the Commission continue to be based on capital requirements for insurance companies (Solvency II). With regard to the fundamental criticism of the application of Solvency II to institutions for occupational retirement provision (IORP), we refer to the input for the EIOPA consultation on EIOPA's draft response to the Commission's call for advice of the Bundesvereinigung der Deutschen Arbeitgeberverbände (BDA) dated 2 January 2012. The proposed specifications demonstrate very clearly that this criticism is justified. Even if we formulate a position on details of this draft, we maintain our fundamental criticism. The draft for the QIS technical specifications confirms that the considerations not only of the European Commission but also of EIOPA amount to a full harmonisation of the planned supervision regime for IORP. Yet a fundamental discussion on whether such full harmonisation designed for insurance companies is necessary or could potentially be harmful has not even been announced let alone concluded. A tailor-made European supervision regime for occupational retirement provision	Noted. Resemblances with Solvency II follow from Commission's CfA EIOPA will reconsider HBS approach after the QIS

			oriented primarily on minimum standards and the principle of subsidiarity is clearly more appropriate for coming to grips with the specific characteristics of occupational retirement provision. The scale and complexity of the proposed QIS specifications demonstrate how serious the effects of applying Solvency II capital requirements to IORP would be. Setting aside the possible quantitative impact, IORP and the companies they serve would be burdened with considerable bureaucracy. It is clear that IORP would have to hold more capital as a result of risk-based capital requirements. The holistic balance sheet approach (HBS approach) proves to be poorly suited to taking adequate account of the specific characteristics of occupational retirement provision and in particular to preventing additional burdens. ______________________________ The proposed technical specifications are heavily inspired from the Solvency II framework for insurance companies, even though the Commission had said the rules for IORPs would not be just copied and pasted from Solvency II. We regret this back-tracking. The level of detail and complexity of the QIS is beyond the capabilities of most sponsoring companies and their IORPs. This might make sense in the insurance sector where the relevant expertise is available. This appears to show a desire to borrow from insurance industry regulations and apply them to occupational pensions. Accordingly the technical specifications are designed in such a way that sponsoring companies will have difficulties to answer or will not be able to comment properly. If that what is shimmering through this QIS concept becomes the blueprint for a new supervisory regime under the new IORP II Directive	

			there is a significant risk to undermine the future motivation of sponsoring employers in the MS to set up and to use IORPs in future. The revision of the IORP Directive – and especially this consultation - is a very technical exercise. It is important to realise that the technicalities are very important, but they should be subordinate to the overall long term goals of the European Pension Policy. First comments of big European companies who sponsor their own pension funds as HR vehicles indicate that this exercise and its complexity is well beyond their capabilities. A new IORP Directive should not provide an incentive to scale back second pillar pension provision or to move the pensions outside the scope of the IORP Directive (moving back to first pillar pensions, shift to book reserves or individual defined contribution schemes). This is undesirable, given the fact that only 40% of the European employees is currently participating in a supplementary pension scheme and given the need of more supplementary pensions in Europe (see also EC White Paper on Pensions). Excessive supervision of the second pillar IORPs will increase the pressure on the first pillar, which is according to the Commission already under stress in many countries. The representativeness of the QIS is insufficient for an IORP II proposal by the EC. Furthermore, in some of the eight participating Member States the QIS will not be performed by IORPs, but by supervisory authorities which are using aggregate data (or it is done by actuarial firms on behalf of the supervisory authority). However, it is our opinion that EIOPA and the Commission can only have a good indication of the real impact when the QIS will be performed by IORPs (instead of hypothetical schemes). The use of aggregated data makes the comparison between funds and countries meaningless and it will be very	

			hard for EIOPA to have an adequate overview of the sensitivity to the assumptions. The time-schedule is too tight. Supervisors and the pension sector have very limited experience with the concept and the valuation of the holistic balance sheet. When stakeholders have more time to react on the technical standards, this certainly will improve the quality of the response and so the final technical standards. We do not see the added value of shortening the consultation period due to the imposition of an external timetable. The advantage of a better response and so better technical standard will definitely outweigh the benefit of a faster determination of the technical standards.	
58.	German Institute of Pension Actuaries	General Comment	From a process point of view, we cannot understand the haste that EIOPA is conducting this consultation in. The reason given in section I.10.1 for shrinking the normal three month consultation period by 50% (the "imposition of an external timetable") seems unsatisfactory given the extent of the economic repercussions of the measures being proposed. From a technical point of view, we believe that EIOPA's reliance on "market consistency" e.g. on setting discount rates or determining the fair value of assets, is fundamentally questionable. Apart from practical aspects such as volatility, the theoretical foundation is not sound either, because "perfect" market conditions only seldom prevail. The result is then regulatory intervention - as recently witnessed in several European countries – making an academically questionable foundation arbitrary	Noted. EIOPA will reconsider HBS approach after the QIS

			too. For an extensive period of time now (ever since the outbreak of the sovereign debt crisis in Europe), interest rates and sovereign bond prices have mainly been driven by massive interventions by governments and central banks and did not reflect a "fair value" so that a mark-to-market or mark-to-model approach has to be seen very critically. The draft document consists mainly of an unchanged Solvency II approach with additional valuation of sponsor support and pension protection scheme. Thus the approach being proposed is even more complicated than Solvency II for insurers. So we expect that the implementation for IORPs would be even more expensive than for insurers. To avoid an increasing of costs we fear that the employers will shut down their defined benefit schemes which will be contradictory to the aim of achieving adequate, safe and sustainable pensions. We have serious doubts that the proposed QIS as presently conceived will be feasible at appropriate costs and with appropriate accuracy within the given timeframe. We expect significant implementation costs, especially for IORPs that have limited actuarial/ financial expertise. Therefore, the QIS might overwhelm many IORPs both in terms of human and financial resources necessary to carry out the exercise. As a result, the quality of QIS can be expected to be very inconsistent between IORPs and between Member States. At the very least, a quality assurance check should be established in EIOPA when aggregating and analysing the QIS results. Furthermore, we recommend that the additional requirements and cost burden should be considered both for each proposal separately and for all of the proposals together.	

59.	GESAMTMETALL - Federation of German employer	General Comment	Despite the serious reservations expressed by all Member States concerned as well as national and European social partners, the planned quantitative impact study (QIS) also shows that the considerations of EIOPA and the Commission continue to be based on capital requirements for insurance companies (Solvency II). With regard to our fundamental criticism of the application of Solvency II to institutions for occupational retirement provision (IORP), we refer to the input for the EIOPA consultation on EIOPA's draft response to the Commission's call for advice (template on EIOPA-CP-11/006) of GESAMTMETALL dated 2 January 2012. The proposed specifications demonstrate very clearly that this criticism is justified. Even if we formulate a position on details of this draft, we maintain our fundamental criticism. The draft for the QIS technical specifications confirms that the considerations not only of the European Commission but also of EIOPA amount to a full harmonisation of the planned supervision regime for IORP. Yet a fundamental discussion on whether such full harmonisation designed for insurance companies is necessary or could potentially be harmful has not even been announced let alone concluded. A tailor-made European supervision regime for occupational retirement provision oriented primarily on minimum standards and the principle of subsidiarity is clearly more appropriate for coming to grips with the specific characteristics of occupational retirement provision. The scale and complexity of the proposed QIS specifications demonstrate how serious the effects of applying Solvency II capital requirements to IORP would be. Setting aside the possible quantitative impact, IORP and the companies they serve would be burdened with considerable bureaucracy. It is clear that IORP would have to hold more capital as a	Noted. Resemblances with Solvency II follow from Commission's CfA EIOPA will reconsider HBS approach after the QIS

			result of risk-based capital requirements. The holistic balance sheet approach (HBS approach) proves to be poorly suited to taking adequate account of the specific characteristics of occupational retirement provision and in particular to preventing additional burdens. ______________________________ The proposed technical specifications are heavily inspired from the Solvency II framework for insurance companies, even though the Commission had said the rules for IORPs would not be just copied and pasted from Solvency II. We regret this back-tracking. The level of detail and complexity of the QIS is beyond the capabilities of most sponsoring companies and their IORPs. This might make sense in the insurance sector where the relevant expertise is available. This appears to show a desire to borrow from insurance industry regulations and apply them to occupational pensions. Accordingly the technical specifications are designed in such a way that sponsoring companies will have difficulties to answer or will not be able to comment properly. If that what is shimmering through this QIS concept becomes the blueprint for a new supervisory regime under the new IORP II Directive there is a significant risk to undermine the future motivation of sponsoring employers in the MS to set up and to use IORPs in future. The revision of the IORP Directive – and especially this consultation - is a very technical exercise. It is important to realise that the technicalities are very important, but they should be subordinate to the overall long term goals of the European Pension Policy. First comments of big European companies who sponsor their own pension funds as HR vehicles indicate that this exercise and its complexity is well beyond their	

			capabilities. A new IORP Directive should not provide an incentive to scale back second pillar pension provision or to move the pensions outside the scope of the IORP Directive (moving back to first pillar pensions, shift to book reserves or individual defined contribution schemes). This is undesirable, given the fact that only 40% of the European employees is currently participating in a supplementary pension scheme and given the need of more supplementary pensions in Europe (see also EC White Paper on Pensions). Excessive supervision of the second pillar IORPs will increase the pressure on the first pillar, which is according to the Commission already under stress in many countries. The representativeness of the QIS is insufficient for an IORP II proposal by the EC (see question 1). Furthermore, in some of the eight participating Member States the QIS will not be performed by IORPs, but by supervisory authorities which are using aggregate data (or it is done by actuarial firms on behalf of the supervisory authority). However, it is our opinion that EIOPA and the Commission can only have a good indication of the real impact when the QIS will be performed by IORPs (instead of hypothetical schemes). The use of aggregated data makes the comparison between funds and countries meaningless and it will be very hard for EIOPA to have an adequate overview of the sensitivity to the assumptions. The time-schedule is too tight. Supervisors and the pension sector have very limited experience with the concept and the valuation of the holistic balance sheet. When stakeholders have more time to react on the technical standards, this certainly will improve the quality of the response and so the final technical standards. We do not see the added value of shortening the consultation period due to the imposition of an	

			external timetable (I.10.1). The advantage of a better response and so better technical standard will definitely outweigh the benefit of a faster determination of the technical standards.	
61.	Groupe Consultatif Actuariel Européen	General Comment	Groupe Consultatif is a keen advocate of risk-based supervision, strong governance and transparent reporting. We also share the view of both EIOPA and the Commission that action to address unsustainability where it exists cannot be deferred indefinitely. Intergenerational fairness is essential and deferral of action will inevitably lead to cutbacks for future retirees/current workers whilst those who have already retired on good pensions will not be impacted. The affordability of the possible capital requirements and the knock on effects on investment, capital markets and the Europe 2020 growth agenda must all be considered fully in the Commission's impact assessment (as distinct from the QIS). Moreover, this must take place before a proposal for a Directive is made. In relation to concerns around the affordability of possible capital requirements, we note that this could be ameliorated by calibrating initially to the current (average) level and/or appropriately designed transitional arrangements. If a new IORP regime is to be based on the principles underpinning Solvency II for insurers, EIOPA and the Commission must not lose sight of the fact that some elements of that regime, in particular the "market consistent" approach, remain under review. The use of market-consistent valuation techniques in financial reporting and solvency assessment for long-term liabilities has, over the last decade, emerged	Partially agreed. There is not enough information at this stage to specify supervisory responses Some areas of technical specifications have been simplified, sponsor support section will be further developed EIOPA agrees more QISs are needed EIOPA wants to test all options in its advice,

			as a global standard in insurance and it has the appeal of offering the most objective measure of an entity's economic reality. However, experience in the insurance sector has highlighted that there is inevitably significant expert judgment required in applying market-consistent valuation principles to highly illiquid, long-term liabilities. This will apply to pension liabilities even more so than to insurance and, while not a reason to abandon market consistency, it is clear that further work is required in this highly technical area before decisions on IORPS are reached. It should also be noted that regulators in a number of countries – Netherlands, Denmark and USA for example – have all recently considered it appropriate to reassess the approach to be used to discounting the liabilities of pension plans. In our view, the timescale that the EC has imposed upon EIOPA is unrealistic and risks a set of conclusions based on unclear, incomplete and unreliable QIS answers; it would be unwise and potentially damaging to produce a proposal based on these. We acknowledge the benefit of having in place challenging targets, but do not support the Commission's insistence that a proposal for a review of the Directive will be published by June 2013. This would allow time for a single QIS only, which would need to consider in detail all of the aspects which may or may not be included in such proposal. Any such specification would need to be comprehensive (most likely, to the point of not being understandable to most IORPs). The draft QIS on which EIOPA is consulting does not fulfil this criterion. In some places (where it has been possible to copy and paste directly from QIS 5 for Solvency II) it is very detailed. In others – notably the new elements specific to IORPs – thinking appears to be at an early	including the inclusion of pension protection schemes and ex post benefit reductions

			stage and often the rationale for the calculations is not given. IORPs will find it difficult to understand or engage with the process and this is likely to be exacerbated by the fact that EIOPA intends to provide a "black box" spreadsheet to calculate some of the numbers. The QIS will be conducted in 8 countries, which represent a majority (but not all) of those with defined benefit IORPs in Europe. However, actual IORPs will participate in the exercise only in a few States, with the relevant pensions' supervisors undertaking or obtaining "aggregate" calculations in others. Although this is a pragmatic approach, the study would yield far more reliable and informative results if IORPs in each Member State were exposed to the process at this early stage. We suggest that EIOPA should give serious consideration to staging of the QIS. A staged process would allow an initial QIS to be extended to all relevant Member States, focusing on key issues such as discount rates, longevity, asset volatility and (where relevant) sponsor support. Results would then help to inform policy makers on the high level impact of policy alternatives and, once decisions had been taken on these, further QIS(s) could explore details of the proposed direction and provide information on the calibration necessary to achieve any desired implementation result. Conceptually, the merits of the Holistic Balance Sheet (HBS) are clear – to enable IORPs to be regulated in a consistent manner, and provide the same level of security for pension promises, across Europe. However, differences in the national systems (and social and labour law and cultures) will present serious challenges to delivering on these. The HBS	

			endeavours to bolt on the quantification of sponsor support, benefit adjustment mechanisms and pension protection schemes to the Solvency II framework so that these IORP-specific issues can be addressed. However, these features do not apply in all Member States and can even vary between different types of IORP within a single Member State. This adds considerable complexity. It is undoubtedly important to recognise sponsor covenant as a key contributor to the security of the pension promise where there is recourse to the employer (either contractual or "moral") but there are many concerns about the validity of calculating a single number which can be slotted into the HBS to quantify this. Any calculation which attempts to place a present value on cash flows that are potentially available over the medium to long term should take into account the likely future potential of the sponsor to generate sufficient income to finance its pension and other commitments. This will depend, among other things, on the quality of the sponsor's business, the prospects for the sector in which it operates and its position within it, the prevailing economic conditions in its key markets, and the risk that these cash flows will not be available to the IORP due to other claims on the company or in extremis, its insolvency. It is reasonable, therefore, to question whether such factors can be captured in sufficiently robust terms to enable a single, reliable figure to be calculated for comparison with the liabilities (the latter of course being subject to many assumptions themselves). Conversely, concern has been expressed that if a single figure is calculated, this could lead analysts and shareholders to factor it into their assessment of the company, or to give rise to demands from workers for pension enhancements based on that amount being available for this purpose. Transparent communication with all stakeholders can help to	

			protect against this. Inevitably, a balance will be needed and the choice may be eased by a better understanding of the purpose and the policy options that may flow from the results. There are also other methods of valuing sponsor support that we believe EIOPA should consider; some might be simpler and perhaps less market consistent, others more fit for purpose but requiring further research. The Groupe would be happy to elaborate on these separately. The proposal to include pension protection schemes in the HBS is justifiable if one is considering the members' perspective: clearly promises are more secure if such an arrangement exists than if there is no such protection and benefits could be reduced on IORP and/or sponsor default. However, from a scheme management perspective, it might be more practical to consider these as tools to mitigate the effect of default if it happens, rather than lowering the regulatory hurdles in cases where they may potentially come into play. Such an approach would also eliminate the moral hazard of IORPs and/or sponsors taking excessive risks because of the safety net which is available. Similarly, we question whether the ability to reduce benefits ex post or as a last resort should feature within the HBS. In the absence of constraints (such as where an adjustment is conditional on obtaining prior regulatory approval, or union support) it would always be possible to balance the HBS by assuming that benefits would be reduced to the level which could be supported. Even where there is a formula that limits this power, the message "your benefits are secure because we can cut them" would appear much less meaningful than "your benefits are not fully secure, and it may be necessary to cut them". Conditional benefits	

			which can be adjusted in a manner set out ex ante are a different matter and it seems appropriate that such a "steering mechanism" should be incorporated in the HBS. Finally, while we understand the reason for its omission, we regret the absence of any indication of the supervisory actions that might be taken based on an IORP's HBS. The answers to many of the specific questions in this consultation depend on a clearer understanding of how the HBS will be used and it is those same answers that will be key to determining the impact of the capital requirements within the broader macro-economic assessment.	
62.	Hundred Group of Finance Directors	General Comment	Introduction The Hundred Group represents the views of the finance directors of FTSE 100 and several large UK private companies. Our member companies represent almost 90% of the market capitalisation of the FTSE 100, collectively employing over 7% of the UK workforce and in 2011 paid, or generated, taxes equivalent to 13% of total UK Government receipts. Our overall aim is to promote the competitiveness of the UK for UK businesses, particularly in the areas of tax, reporting, pensions, regulation, capital markets and corporate governance. Wider impact assessment needed	Noted. Solvency II based approach follows from Commission's CfA EIOPA will reconsider HBS approach after the QIS There is not enough information at this stage to specify supervisory

			The Hundred Group fundamentally disagrees with the proposal to apply a regime based on Solvency II to IORPs. We believe that this will be damaging to the provision of pensions to employees, leading to the closure of defined benefit IORPs to future accrual and the provision of lower quality pensions in future. We believe that this cuts directly against the European Commission's goal of ensuring adequate pension provision across the EU. The application of a solvency regime to pensions would also have very damaging consequences for employers sponsoring pension schemes, who could see increased funding deficits and higher contribution demands, which would leave them with lower assets to invest in growth and jobs. As well as the effect on individual sponsors, the introduction of a solvency regime could also have substantial impacts on the economy as a whole with pension schemes likely to reduce their holdings in equities in favour of debt investment. The Kay Review (published in July 2012) has drawn attention to the fact that the application of Solvency II to pensions is a matter of particular concern in terms of discouraging the commitment of pension schemes to equity markets. The current IORP directive has worked well, even in the most challenging market conditions. No convincing arguments have been made that the current regime has failed nor has a case been made for imposing a regime designed for insurance companies onto pensions. Whilst we appreciate that these issues are outside the scope of the current QIS proposals, we believe that a full impact assessment into all	responses and proportionality rules Some areas of technical specifications have been simplified Sponsor support section will be further developed EIOPA considers that more QISs are needed

			of these areas is essential before any further action is taken towards the imposition of a Solvency II regime on pensions. We also believe that the implementation of Solvency II for insurers should be completed before the work of assessing the impact of imposing a similar regime on IORPs is begun. Current QIS proposals not fit for purpose The focus of the current QIS is limited only to the holistic balance sheet, and does not cover the wider impacts of a Solvency II regime on IORPS (nor indeed any of the proposals relating to Pillars 2 and 3 of Solvency II, which also merit an impact assessment). However, even on their own terms, we believe that the current consultation and the proposals for the QIS contained within it are still not fit for purpose. It is impossible to provide a meaningful response on the calculation methodologies contained in the consultation document when we do not know how the results of those calculations will be used in practice in the holistic balance sheet framework. In particular, we do not know what supervisory actions might be triggered by certain levels being breached nor what actions corporate entities might have to take in the event that the holistic balance sheet does not balance. For example, the consultation proposes a calculation for a minimum capital requirement without giving any indication of the purpose for which such a measure would be used. It is therefore impossible to comment on the proposed calculation. Similar comments could be applied to the specification of level A and level B liabilities, or the risk margin: it is not clear what these numbers will be used for.	

			We also note that, for some of the key elements in the holistic balance sheet, such as the valuation of the sponsor covenant and pension protection schemes, the methodology proposed has been put forward by EIOPA solely in order for the QIS to take place. The consultation notes that the techniques and specifications proposed for the QIS should not be read as proposals for possible future level 2 measures (1.4.11), but, if these techniques do not reflect the approach to be taken in practice, then the results of the QIS will prove worthless. We understand that EIOPA is limited in the scope of what it can cover in the QIS, but believe that, as it stands, the exercise is meaningless. The QIS would need to be repeated once the policy objectives have been agreed (assuming that the European Commission persists with its intention to apply a Solvency II regime to pensions) and the resulting impact study given proper consideration before any final decision is taken. Timescales for responding are far too short We also wish to record our protest at the short period of time being given to the current consultation and to the overall process of the QIS. Insurance companies have been through no fewer than five QISs in order to refine the development of Solvency II (and the key elements of Solvency II were already much closer to the existing regulation of insurance companies than they are to that of IORPs). This QIS will have to assess some entirely new concepts, such as how to	

			value sponsor covenant and pension protection schemes. The sections on these elements of the calculation seem sketchy, to say the least, and would require much greater analysis and refinement to come up with a helpful methodology. We particularly note that the calculations for valuing sponsor covenant and pension protection schemes will use spreadsheets which EIOPA has not yet released. For those employers who do not have the time, resources or expertise to build a model to perform these calculations themselves, the spreadsheets would have been a useful tool in indicating the potential size of these numbers (even though the actual impact would not be apparent, for the reasons given above). Six weeks is far too short a time to comment on the specifications for what is, at present, proposed to be the only QIS on the application of Solvency II for IORPs. The consequences of applying such a regime to pensions could be extremely damaging and it is important that a rigorous analysis of the actual policy proposals is carried out before any legislative steps are undertaken. This QIS does not meet these criteria. Complexity of proposals Overall, many of the elements of the consultation are highly complex and are likely to prove very time-consuming and costly for IORPS. For many smaller UK IORPs, calculations along the lines proposed will be impossible without substantial simplifications. Even if the QIS itself is carried out by national supervisors rather than individual IORPs, IORPs	

			would still need to be able to carry out such calculations if a Solvency II regime along the lines proposed was introduced for pensions. Larger IORPs, such as those sponsored by Hundred Group companies, are more likely to have access to the time, resources, advice and expertise to complete the QIS (and the calculations ultimately required under the holistic balance sheet), but such calculations would be extremely time-consuming and use resources that could better be applied in improving the funding position of the IORP rather than in paying the costs of advisers. Our response We have answered some (though not all) of the questions asked by the consultation, but, given the very short timescale for responses, we have not focused on the technical detail. Our silence on a particular question should not be taken as assent, nor should the fact of us responding to this consultation at all be taken as us consenting to the application of a Solvency II regime to pensions.	
63.	HVB Trust Pensionsfons AG	General Comment	The discussion about the specific parameters of the QIS-consultation is going in the wrong direction. This way does not support the IORPs. Occupational pension plans characteristics are "by employer for employees" on a "voluntary basis" and "cost efficient". High complex risk-models in the banking and insurance sector (Solvency II) do not strengthen the IORPs, on the contrary they destroy IORPs.	Noted. EIOPA will reconsider HBS approach after the QIS

			Capital requirements oriented on market based parameters with a one-year forecast and "Value at Risk" are not suitable for lifelong pension-liabilities. And even if the additional needed capital is small due to considering the sponsor support and pension protection scheme, the administration cost and complexity will reduce the attractiveness of the IORPs.	
64.	IBM Deutschland Pensionsfonds AG	General Comment	We welcome the opportunity to comment on the Draft Technical Specifications for the EIOPA QIS. We note with regret that EIOPA was unable to provide the normal 3 month consultation period due to the "imposition of an external timetable". We are concerned by the haste with which the IORP review is being carried out given the profound impact it will have on IORPs, their stakeholders and the wider economy. The timing of the actual QIS is also unfortunate as it will coincide with IORPs' year end activities and, therefore, deter even more IORPs from participating. Contrary to the promises made by the Commission and EIOPA, the QIS is more or less a direct copy/paste from Solvency II with some modules added for sponsor support and pension protection schemes. No effort has been made to develop a solvency approach which reflects the true nature of IORPs, the benefits they provide and their role within society. In particular, capital requirements based on VAR, a one-year forecast period and market based parameters are completely inappropriate for institutions that have long-dated liabilities that cannot be called, have flexible funding backed by a sponsoring employer and are a critical provider of long-term capital both to the banking sector and to the real economy. Rather than copying regulation from the insurance sector, we would have expected EIOPA to seek inspiration from regulatory approaches in comparable pension systems (eg. USA, Switzerland etc.)	Noted. Resemblances with Solvency II follow from Commission's CfA EIOPA will reconsider HBS approach after the QIS Questionnaire will include questions on impact and potential policy reactions EIOPA agrees more QISs are needed

			Indeed, it is this playing field which is relevant for European corporate pension sponsors. Whilst we agree with the principle of risk-based supervision, where, in our view however, the definition of risk should be calibrated to the objectives of the individual IORP, we disagree with the notion of introducing risk-based capital requirements and attaining “a level of harmonization (of prudential regulation) where EU legislation does not need additional requirements at a national level”. Risk-based capital requirements, especially if based on an inappropriate definition of risk and short-term market parameters are inherently volatile as well as pro-cyclical and will endanger the stability and long-term sustainability of IORPs. Solvency II is itself based on the capital adequacy framework for the banking industry which has arguably failed in the financial crisis that started in 2007. Moreover, the business models and societal function of banking, insurance and occupational pensions differ to such an extent that it is inappropriate to use similar risk models for supervision. The convergence of behaviour influencing regulation in these sectors will have the potential to increase the systemic risk in the financial system and the wider economy. As one observer put it metaphorically, if a troop walks over a bridge in lockstep, the bridge may collapse. More fundamentally, the purpose of capital adequacy requirements is to provide a financial cushion (in the absence of other security mechanisms) for institutions to weather against adverse developments. With the so-called Euro crisis, we are arguably now experiencing a scenario where	

			capital buffers have/would have been run down, with replenishment occurring once the economic conditions return to normal. The IORP-QIS, however, lays out the current stress scenario as its "base case". Economically, it does not make sense for the "base case" to reflect a scenario of negative real interest rates as the rationale for retirement saving in this context ceases to exist. Furthermore, the current situation lays bare the flawed approach of market-consistent valuation. Current European fixed income markets are dysfunctional (as the ECB has itself stated), interbank lending is at a standstill and prices in sovereign debt markets are heavily distorted due to large scale political and central-bank intervention. Uncertainty is expressed in heightened volatility. Introducing risk-based capital requirements for IORPs would add fuel to the flames rather than boosting confidence. The Commission has declared that "any new supervisory system for IORPs should not undermine the supply or the cost-efficiency of occupational retirement provision in the EU." It should be apparent that solvency II-like capital requirements based on December 2011 yield levels, if implemented, would drastically reduce the cost-efficiency and, therefore, supply of occupational retirement provision in the EU. To be clear, the proposed regulations, if implemented, would sound the death knell for IORPs in Germany. Particularly the young, who are already shouldering a significant portion of the cost of 1st pillar provision, would be most affected. We, therefore, stress the importance of the questionnaire that EIOPA is	

			currently developing (I.6.2) that will "give a first impression of the outcomes of the QIS and the potential policy reaction by the IORPs and other stakeholders if the holistic balance sheet approach were implemented." We believe it would be useful to draft this questionnaire in the context of the five points that Commissioner Barnier outlined in his speech at the Public Hearing on the 2nd EIOPA consultation on 1 March 2012: 1. Facilitation of cross-border schemes. Will the proposed measures encourage and facilitate the creation of cross border IORPs? 2. Impact on long-term investment Will the proposed measures facilitate economic growth and long-term sustainable wealth creation? 3. Contribution to the sustainability of Member States' public finances. Will the proposed measures reduce the reliance on state provided benefits? Will they be tax neutral, given that funding may have to increase? 4. Take better account of specific characteristics of IORPs by using	

			an approach based on economic substance rather than legal form. Do the proposed measures take the economic substance of IORPs adequately into account? What will be the impact on the sponsoring employer's balance sheet? 5. Maintain a level playing field for regulatory competition Will the proposed measures turn IORPs into insurance companies and, if so, will sponsoring employers be willing to underwrite insurance business or rather seek alternative forms of providing deferred compensation to employees? How will the proposed measures affect the competitive landscape of European corporates vis-à-vis their non-European counterparts. Finally, we hope that the Commission and EIOPA will recognize that this QIS can only be the first in a series of QIS on the way towards developing a workable model for prudential regulation of IORPs in Europe.	
65.	ICAEW - The Institute of Chartered Accountan	General Comment	The draft QIS aims to obtain information about each component of the holistic balance sheet and then to quantify them. However, it is not clear from the consultation how it is proposed that the holistic balance sheet will be used in practice by the parties involved (including national regulators and pension scheme trustees). For instance, it is not clear what the consequences would be if the holistic balance sheet 'does not balance', nor what recovery periods would be imposed. It is also not	Noted. HBS is used for funding purposes, in line with Commission's objectives

			clear whether it would replace, or run alongside, existing domestic regimes (such as scheme specific funding in the UK). This means that the possible impact/implications are not being considered or assessed and therefore, in our view, the QIS (as currently proposed) does not constitute a proper impact assessment. We are supportive of outcomes-based regulation – it is not clear what actual benefit for scheme members will come from the costly exercise of the QIS or of preparation of holistic balance sheets going forward. We also remain concerned about the process and timetable for the development of these proposals. In our view, the aim of introducing draft legislation by summer 2013 will not allow sufficient time for proper development and assessment of the proposals. Furthermore, in respect of the current consultation, a period of less than seven weeks during the summer holiday season is not sufficient to develop responses to 160 page document comprising highly technical content, and may therefore not give rise to a sufficiently representative response. Also, in our view the assumption that there only needs to be one QIS is unrealistically optimistic; there should be a higher level consultation considering more options, followed by consultation at a more detailed level once the high level options had been whittled down. No time has been factored in for further consultation that might be needed, especially if there is significant revision to the methodology. As we stated in our previous response (ICAEW REP 127/111), we query the need for harmonisation of capital requirements in respect of IORPs, as we believe they are fundamentally different from insurers (due to the sponsor support) and in our view there is no need for a 'level playing	There is not enough information at this stage to specify supervisory responses EIOPA agrees more QISs are needed EIOPA will reconsider HBS approach after the QIS

			field' for IORPs across Member States. We also note that the Solvency II regime has not yet been settled for insurers and we believe that regime should be properly assessed before its provisions are extended to other entities. We have not commented on the areas of detail in this consultation, except in relation to the proposed approach to calculating a value for the employer covenant, which in our view is overly complex (see our comments at question 12 below). However, we support the more detailed comments submitted by the Institute and Faculty of Actuaries. 1 ICAEW REP 127/11 is available from http://www.icaew.com/en/about-icaew/what-we-do/consultations-and-representations/representations/2011-representations	
66.	Institute and Faculty of Actuaries	General Comment	We are grateful for the opportunity to comment on the draft QIS specification and for the opportunity to help EIOPA enhance its position as independent expert technical adviser to the European Commission. We are sympathetic to the challenges faced by EIOPA and applaud the achievement of providing such a substantial document in such a short timescale. However this makes it all the more unfortunate that we find the draft technical specification disappointing. Although we believe that a QIS of this nature will provide some useful information, we think EIOPA will need far more analysis before it can credibly confirm the advice on which it has reserved its position. We believe that there are many lessons that can be drawn from the current UK pensions regime that would be relevant to the key issues	Noted. EIOPA will reconsider HBS approach after the QIS There is not enough information at this stage to specify supervisory responses and

			addressed by this consultation. Unfortunately the consultation period has proved too short for us to respond at the level of detail that we consider this subject warrants. We have provided as much detail as time permitted and would welcome the opportunity to continue working closely with EIOPA on the development of this specification after the consultation closes. Although our responses below make some suggestions for improving the QIS, it would be wrong to infer that we accept the principle of using Solvency II as a basis for a robust solvency regime for IORPs. We have yet to be persuaded that Solvency II is an appropriate starting point for designing the new regime and in particular that it represents a proportionate approach bearing in mind that the Commission's own figures show that in the UK alone there are over 5,000 IORPs with more than 100 members (and hence potentially subject to any new requirement). We grow increasingly concerned that this dossier is being progressed at a pace that makes errors and omissions inevitable: we have found a number of errors in the draft technical specification and this makes it all the more concerning that time has not permitted a more thorough analysis. Although we endorse the principle of applying robust risk management techniques to IORPs, it is axiomatic in actuarial science that the choice of method and assumptions depends on the purpose for which the actuarial information will be used and it follows that it is necessary to first define the purpose. In this case we consider that it is necessary to define the regulatory actions etc. before designing the asset and liability measures. In our view it is impossible to assess the impact of EIOPA's advice if the regulatory actions etc. are not defined. We consider that the draft QIS specification does not include adequate changes to the QIS 5 Solvency II specification to reflect the nature of IORPs. In particular we are disappointed that only one approach to	proportionality rules Some areas of technical specifications have been simplified EIOPA considers that more QISs are needed

			valuing sponsor support is considered and we are not persuaded that this approach is appropriately market consistent. We are surprised and disappointed to find that the first QIS is intended to be at the level of detail previously seen at a late stage in the development of Solvency II (i.e. QIS 5). We had hoped instead for a more iterative process starting with consideration of a wider range of approaches particularly to the treatment of sponsor support. That said, we do not consider that EIOPA has succeeded in providing adequate detail for a QIS5-style exercise.	
67.	Insurance Europe	General Comment	Introduction Insurance Europe is pleased to comment on EIOPA's consultation on "draft technical specifications QIS of EIOPA's advice on the review of the IORP Directive". Insurance Europe welcomes the decision to conduct a QIS with a view to better assessing the proposed review of the IORP directive and, more specifically to test the proposed HBS approach and specific features related to occupational pension schemes. This is a necessary step in the IORP Directive review process. Therefore we agree with EIOPA's general aim as expressed in the introductory part of the consultation paper: "EIOPA's consultation paper on the technical specifications for the study aims at helping IORPs perform the necessary calculations in the event that a Holistic Balance Sheet (HBS) approach would be implemented as part of the revised IORP Directive. The purpose of the consultation is to assess the valuation and risk-mitigating effects on the solvency capital requirements of the pension funds' adjustment and security mechanisms, such as conditional and discretionary benefits, reductions of benefits, sponsor support and pension protection schemes."	Noted. EIOPA considers more QISs are needed Some areas of technical specifications have been simplified, sponsor support section will be further developed Adjustment mechanisms will have to be reported separately by IORPs, but not on the asset side

			There exists a large variety of pension schemes and IORPs. Therefore, there are challenges to calibrate and fine-tune technical specifications of the HBS approach, which include the quantification of various elements like sponsor support. It is also a problem that in the Solvency II QIS exercises certain elements relevant to long-term commitments were missing. As a result, these elements are also missing in the current proposed specifications. We therefore support any considerations by EIOPA to include such elements. In our view, the above mentioned challenges linked to the review of the IORP Directive reinforce the importance of the current exercise. Applying Solvency II to IORPs On previous occasions Insurance Europe stressed the importance of fair competition between financial institutions, including IORPs, that provide occupational pension products, and of consistency in prudential regimes. This can be achieved by applying the 'same risks, same rules, same capital' principle. As a result, Insurance Europe is of the opinion that the principles of the risk-based Solvency II framework should serve as the basis for regulating all financial institutions providing occupational pension products as long as the economically significant characteristics of the different pension products or schemes are taken into account. The QIS has to be used to thoroughly test these economically significant differences. If it appears that further testing is necessary, then an additional QIS exercise should be performed. The purpose of the current exercise should also be to ensure that comparable specificities between insurers and pension funds should be taken into account in a similar way for all providers, be they insurers or pension funds. Furthermore, Insurance Europe strongly believes that all financial institutions that are providers of occupational pensions should be regulated not on the basis of the legal vehicle through which pension	There is not enough information at this stage to specify recovery plans

			products are provided, but rather according to the risks those benefits present to the provider, members and beneficiaries in line with the principle of 'substance over form'. Therefore, Insurance Europe welcomes the consistency with the Solvency II Framework Directive in the technical specifications for the QIS. This will ensure similar treatment for long term savings products. We agree with EIOPA that the proposed set of technical specifications should be seen as "work in progress" to be followed up by further examinations as necessary, including a thorough impact assessment. We also believe that where Solvency II elements are used which are not finally fixed in the Solvency II framework, EIOPA should use the most likely outcome of the discussions for the purpose of the QIS. Additionally, all the simplifications of Solvency II should be given consideration in the QIS. EIOPA should even consider additional simplifications, especially regarding the valuation of the sponsor covenant. It should also be recalled that the 5th Quantitative Impact Study of Solvency II revealed that certain parts of the framework may not be entirely appropriate for products with a long term nature. As such, many of the challenges made apparent by the QIS 5 exercise are relevant for both insurance undertakings and IORPs. As a result, Insurance Europe considers that the right approach going forward consists in firstly, solving the problems that exist in the Solvency II framework, and secondly, introducing the appropriate solutions, in the revised IORP Directive. Such an approach is better than one which would consist in trying to solve issues in one Directive whilst leaving the problems open in the other one. Similarly, should solutions be found within the context of the IORP Directive they should also apply to insurers where appropriate The QIS exercise	

			Insurance Europe believes that the discussion at this stage should focus on assessing in detail the different aspects of the HBS. For the purpose of the QIS, Insurance Europe suggests calculating all the potential options of the Holistic Balance Sheet (HBS) with a higher degree of granularity than is currently foreseen by EIOPA in order to allow for discussions on the basis of the outcome of the QIS. In our opinion, all the particularities of occupational pensions should be calculated as potential assets of the HBS. However, there should be limitations whether to take these security mechanisms into account, either fully or partially (eg due to interdependencies between the different security mechanisms used). There might be differences across the EU on what should be finally accepted as assets in the HBS depending on the type of IORP and the national social and labour laws. Calculating all the security and adjustment mechanisms separately as assets would have a number of benefits as it would allow for: ☐ Performing the necessary calculations of the QIS without knowing exactly what the outcome of the Directive review will be. ☐ Learning from the QIS which of the IORPs' security mechanisms are the most relevant risk factors and will therefore have an impact on the solvency of the IORPs. ☐ Making it possible to assess the effort needed to valuate to the IORPs which would help to identify where additional simplifications are crucial. ☐ Certain IORPs to take part in the QIS even if they cannot calculate every security mechanism. These IORPs could focus on the aspects they consider to be particularly relevant for them. ☐ A higher degree of transparency for the assessment of the different security and adjustment mechanisms. As a result, conclusions	

			will be reached easier, whether the requirements on the HBS are appropriate for which type of IORPs. For example, if the outcome would be that all the risk is taken by the sponsor, this type of IORPs could be excluded from a lot of the burdensome calculations. ☐ A more transparent differentiation of IORPs across Europe. However, due to different valuation mechanisms – market-consistent evaluation of the IORP in the HBS vs. local GAAP or IFRS of the sponsors – recognition of sponsors support seems to be a quite difficult issue even from an academic view. Usually no economic balance sheet of the sponsors exists, so evaluation deviations will occur. This would justify looking for even simpler methods of valuation of the sponsors covenant. Valuation of components beyond the sphere of the IORP itself is a big challenge for IORPs. Data and parameters from sponsors and pension protection schemes might not be publicly available and the IORP should not be responsible for completing these missing figures. Therefore EIOPA has to fill these gaps or delegate the discussion about their completion to the national supervisors. The results of the QIS should give further insight as to where IORPs lack information and need more guidance and specifications on methods and parameters. The outcome of the QIS should be carefully taken into account by EIOPA regarding when considering its final advice. Recovery plans Finally, Insurance Europe would like to comment on the issue of the length of the recovery period. Although this question has not been touched upon within this consultation, it should be looked at since it has an impact on the financial situation of an IORP or financial institution. In general, Insurance Europe believes that the principles of Articles 138 and 139 of the Solvency II Framework Directive should apply to IORPs. However, the recovery periods agreed by the supervisors should be	

			flexible, based on the nature of the IORP, the specific characteristics of the IORP, and the national system it operates in. Insurance Europe regrets that no options were put forward to test different alternatives within the context of the QIS.	
68.	Investment and life Assurance Group Ltd	General Comment	We note that the scope of the QIS is confined to the numeric calculations. Important questions are not tackled. For example, what are the the disclosure requirements and what will the numbers be used for. These will be important considerations and it is hard to understand the impact of the calculations without this context.	Noted.
69.	Irish Association of Pension Funds	General Comment	The Irish Association of Pension Funds represents the interests of pension schemes in Ireland. These schemes have been established by employers to provide income in retirement to their employees. They are established under trust and governed by trustees who are obliged to run them in the best interests of their members. They operate on a non-commercial basis and retirement savings in those schemes, which are established voluntarily, total over €72bn. The cost of running defined benefit schemes has increased significantly in recent years due to increased security of benefits under legislation (preservation, indexation), increased life expectancy and poor investment returns. These factors have contributed to a decline in defined benefit provision which is being accelerated by regulatory requirements that focus on short-term measurements and actions. The purpose of a pension scheme is to pay out benefits to the participants over a long period of time. It is crucial that a scheme's ability to do this is tested in order to provide the participants with an appropriate level of confidence. However, regulation is increasingly requiring schemes to measure their ability to pay benefits at a particular point in time assuming all benefits are crystallised at that time. This often requires	Noted. EIOPA will reconsider HBS approach after the QIS The aim of HBS is more harmonised funding requirements, in line with Commission's objective

			sponsors to pay more contributions in than are required in the long term. Where providing pension benefits is voluntary employers will choose to cease provision and this is happening in many countries. The focus of the Commission should be to ensure that pension provision is encouraged. If the Commission proceeds along the lines currently being suggested it is likely that pension provision will be undermined. The Commission has consistently stated that the review of the IORPS Directive will not be a copy and paste of the Solvency II requirements yet it is clear that a large part of the QIS document is copied and pasted from the Solvency II Directive. The purpose and use of the Holistic Balance Sheet is unclear. It is also unclear as to how it will relate to existing requirements of pension schemes. At present schemes in Ireland are valuing their liabilities on a long-term basis, for the minimum funding standard and for FRS17/IAS19 requirements. Adding an additional basis on which to calculate with further increase the costs of running a defined benefit scheme and further accelerate the move from this type of provision. We do not believe that the proposals will increase the demand for cross-border schemes and it is clear that any cross-border schemes are likely to operate on a DC basis. These aspects should be part of an impact analysis and this should also	

			include the impact of the change in investment behavior that will result from the proposals. Forcing large amounts of investment into "risk-free" assets that are already expensive will impact the sustainability of schemes but will also have considerable impact on capital markets. The timescale given to consider the QIS is inadequate and as result we have been unable to give detailed consideration to the individual questions. We do however, as a member of the EFRP, concur with their observations.	
70.	KPMG LLP (UK)	General Comment	This response is from KPMG LLP in the UK, and our comments focus on the interaction of the proposed QIS with UK defined benefit IORPs. They are based on our experience of advising IORPs and their corporate sponsors, including many of the largest IORPs in the UK. Given that UK defined benefit IORPs constitute over two-thirds by value (some £1.5 trillion in aggregate) of all such IORPs in the EU, it is particularly important that any proposals are practicable and appropriate for the UK market. We find it difficult to respond in detail to much of this consultation, in the absence (at this stage) of any indications as to what EIOPA will do with the information requested, and what any new regulatory regime around the concepts would look like. We cannot judge if it is fit for purpose, without knowing what the purpose is. More specifically, achieving the right balance between technical accuracy and practical simplicity is inextricably linked to the purpose and objectives of the exercise, and ultimately the need for a revised IORP Directive. As we said in our response to the EIOPA consultation on the Call for Advice (EIOPA-CP-11/006), we are yet to be convinced that the case has been made for such revisions.	Noted. Solvency II based approach follows from Commission's CfA Aim of HBS is to take into account differences between IORPs and insurers HBS is used for funding purposes, in line with Commission's objectives There is not enough

			Lastly, it is disappointing that, despite statements made by EIOPA that it recognises the differences between insurance and pensions, the starting point for this is a copy-across of much of the insurance Solvency II regime.	information at this stage to specify supervisory responses
71.	Mercer Ltd	General Comment	Mercer Limited is a global leader for HR and related financial advice and services. Our client base includes employers providing occupational pension schemes to employees in all sectors of industry and the trustees and other entities responsible for managing those pension schemes. The consultation would have been far more useful had it set out the principles to follow and the justification and derivation of any formulae or assumptions to be used, rather than just asking whether what is being proposed is fit for purpose or not.. We are aware that a calibration document for QIS5 of Solvency II has been published but it would be useful for this new audience to have this background. In any case, it is not possible to consider whether the proposals are 'fit for purpose' since the purpose (that is, the regulatory impact of the calculation results) has not been discussed. Further, the objective set out in I.8.2 takes a balance sheet view on the world and ignores what is of most financial consequence to IORPs and their sponsors, i.e. the funding implications in respect of underfunded benefits accrued in the past and benefits that will be accrued in the future. For example, if the QIS identifies under its objective set out in I.8.1 and I.8.2 that at an aggregate national level the excess capital is similar or indeed greater than under the current regime, it is not at all obvious to us that the new regime is more affordable at the individual IORP level since we would anticipate considerable behavioural asymmetry between IORPs where there is a surplus and IORPs where	Noted. There is not enough information at this stage to specify supervisory responses or proportionality rules Some areas of technical specifications have been simplified, sponsor support section will be further developed IORPs do not have to calculate risk modules that are immaterial

			there is a deficit. For many IORPs, the sponsor covenant effectively provides 'solvency capital'. So we find it difficult to understand why such sections of the QIS have been given relatively little consideration when other areas, which relate risks likely to be immaterial in many cases, are presented in far greater detail. EIOPA should take into account the limited resources and budgets that individual IORPs will have to carry out the QIS and, with a view to optimizing the value of responses, ensure that priority is given to the most material considerations. Appropriate simplifications should be available to use where risks are unlikely to be material and where the size of the IORP indicates that greater detail would be likely to result in spurious accuracy. We do not believe that the QIS will meet its objectives, since its purpose seems to set out a narrow range of alternatives, with most of the material produced focussed on the one closest to Solvency II and with very little opportunity for qualitative observation.	Qualitative questionnaire will be part of the QIS package
72.	METRO AG, Duesseldorf	General Comment	We are a global organisation, representing approximately 211,000 employees within the EU. We have significant occupational pension plan assets and have invested billions of Euros in these plans around the world, especially in Germany, the Netherlands and the United Kingdom where we operate large pension schemes. We administer more than 140,000 pension rights in these countries. We urge EIOPA and the European Commission to re-think their approach	Noted. Resemblances with Solvency II follow from Commission's CfA EIOPA will reconsider HBS

			to the review of the IORP Directive including this current consultation. We firmly believe that the Solvency II based approach taken is not adequate to serve the aims laid down in the Commission's White Paper on Adequate, Safe and Sustainable Pensions. We are extremely concerned about the potential impact of any change to legislation on the future costs of these plans and the global competitiveness of the European region. The scale and complexity of the proposed QIS specifications demonstrate how serious the effects of applying Solvency II capital requirements to IORP would be. Setting aside the possible quantitative impact, our business and the IORP we operate would be burdened with considerable bureaucracy. We believe that the additional cost of providing the information required will be significant in comparison with the benefit expected. It is also clear that IORP would have to hold additional capital as a result of risk-based capital requirements. The holistic balance sheet approach (HBS approach) proves to be poorly suited to taking adequate account of the specific characteristics of occupational retirement provision and in particular in preventing additional burdens. A new IORP Directive should not provide an incentive to scale back second pillar pension provision or to move the pensions outside the scope of the IORP Directive (moving back to first pillar pensions, shift to book reserves or individual defined contribution schemes). For us as a plan sponsor it is clear that as a consequence of the proposed changes to the IORP Directive and the financial impact this will have on our business we will not be able to keep our involvement in occupational pensions at today's level.	approach after the QIS

			Given the low level of supplementary pension scheme participation and the need of more supplementary pensions in Europe (see also EC White Paper on Pensions), we are not prepared to accept this consequence. A tailor-made European supervision regime for occupational retirement provision is clearly more appropriate for coming to grips with the specific characteristics of occupational retirement provision. No proof has been given that the aims of the Commission's White Paper on Adequate, Safe and Sustainable Pensions cannot be sufficiently achieved by the Member States themselves or that the proposed supervision regime is in accordance with the principles of subsidiarity and proportionality, given the extensive scale and complexity of the proposed QIS specifications. We feel it is still worth considering a "best-practice" approach and let Member States adopt lean supervision regimes and/or insolvency protection measures satisfying qualitative minimum standards rather than imposing an extensive Solvency II based regime on them and their plan sponsors. Thank you in advance for considering our significant concerns.	
73.	Michelin Tyre Plc	General Comment	We would like to thank EIOPA for its thorough consultation exercise. However, rather than going into the details of how the QIS should be operated, we would like to make a number of general comments :	Noted. Resemblances

			- First of all, we cannot help noticing that a lot of the proposed technical specifications are heavily inspired from the Solvency 2 framework for insurance companies, even though the Commission had said the rules for IORPs would not be just cut and paste from Solvency 2. We obviously regret this back-tracking. - Second, the level of detail in the consultation is well beyond the capabilities of most international companies who sponsor pension funds. This would probably have made sense in the financial sector where the relevant expertise is to be found. Again, this appears to show a desire to borrow from financial services regulations and apply them to pensions. Accordingly, we believe the technical specifications are designed in such a way that interested parties will not be able to comment properly. Finally and more importantly, we question whether any additional capital requirement for pension funds is required and thus whether the QIS will serve any purpose at all. We will focus our comments in this area. Indeed, we understand the motivations for instituting additional capital requirements borrowing from the Solvency 2 approach to be as follows : 1) Ensuring level-playing field with insurance companies We acknowledge some particular IORPs may be in the same situation as insurance companies offering pension services on the competitive market. However, for the vast majority of IORPs, such as our company's pension fund, we believe this comparison with insurance companies is entirely inappropriate : our pension fund is not operating on the commercial market, it is not intended to make a profit. It is solely a human resource vehicle which is one component of a comprehensive package of benefits our company offers to its employees. As such, pension benefits afforded through our fund are the result of collective	with Solvency II follow from Commission's CfA EIOPA will reconsider HBS approach after the QIS

			bargaining as part of broader labour considerations, they are not designed to compete with insurance companies. These arrangements will obviously change over time and they include important risk-sharing and risk-mitigating elements which make them very different from a private insurance contract: possibility to amend contributions paid by employees or employers, to amend benefits, to amend indexation, pension protection schemes etc. In addition, contrary to insurance companies operating various kinds of risk coverage, pension funds only cover one situation, the payment of pensions (no fire insurance, no car insurance etc). In this area, the need for capital outflow is more predictable, because the date of the occurrence is known in advance, i.e. when an employee reaches retirement age. Therefore, market-based and volatile risk measures, like Value at Risk, seem highly inappropriate for pension scheme monitoring. The Commission could usefully consider the models that have been developed recently in other OECD countries. The United States are a good example, which our company knows well as our local subsidiary holds significant defined benefit commitments. The Pension Protection Act (PPA) of2006, aims to secure pension scheme funding. Yet its framework is neither derived from insurance regulation nor based on market-related risk measures. The PPA enhances funding requirements but allows pension schemes to use smoothed technical rates and smoothed asset value as a means to amortise market shocks and to keep a long-term view in pension management. Ideally, the Commission could also consider the different models already available within the Union and build up on this long experience together with the pension community instead of applying a Solvency II model that has not been designed for IORP in the first place. 2) Ensuring future sustainability of pensions	

			We are not aware of any systemic risk weighing on pension payments. It seems to us that there already are mechanisms in place to ensure pensions are duly paid by pension funds or their sponsoring companies, such mechanisms vary from one country to the next but are in line with local pension practices. For instance, for defined benefit schemes, there is an unlimited last resort guarantee from the sponsoring employer (UK, Belgium, Germany) and sometimes also a national safety net sponsored by all pension schemes (UK, Germany). In addition, even assuming there was such an issue as systemic risk of pensions not being paid out, we do not see how a capital requirement would be helping towards resolution. In fact, the cure would be worse than the illness in this case : the more money companies have to tie up to pay pensions, the more their financial viability will be threatened. We believe the best form of protection to member benefits is a strong, solvent employer and confidence between contributors. We believe the attempt to impose higher solvency requirements would weaken the sponsoring employer as a Solvency 2 type regime would unnecessarily increase pension liabilities and thus funding requirements, far in excess of the actual payments required to pay out pensions. This would indeed : - Significantly increase employment costs in Europe for lots of employers, as well as employee contributions; - Force employers to reduce benefits or even to stop providing occupational pensions, which contradicts the objective set in the White Paper to develop occupational pensions in Europe as a remedy to declining Social Security pension schemes; - Force European companies to reduce value adding and job creating investments because of unnecessary contributions into pension	

			solvency buffers, which are likely to be irrecoverable once all pensions will be paid; - Impose a significant competitive disadvantage to European companies / employers in the absence of any comparable solvency regulation internationally; - Force European pension funds, which are long-term investors to divest from equities and eventually also from corporate bonds, thus creating a financing issue for corporates in Europe. Therefore, we strongly believe that the existing regulatory environments in our nations provide a strong framework to protect pension scheme members and pensioners. However, we are open to improve if necessary, some qualitative criteria to reinforce confidence of all stake holders of the pension funds. 3) Facilitation of cross-border pension funds We understand the Commission would like to see more of those EU-wide pension funds. We believe those already exist in the form of a given company pooling resources together to fuel several different national funds. However, what does not exist is a pension fund operating across several countries where the level of defined benefit is the same for all those countries. While the Commission may consider this as desirable, this is not doable in a situation where tax & labour law is widely different from one EU member State to the next. Our company operates a compensation policy which is adjusted and differentiated in each of the EU countries where we operate, by virtue of the fact that market conditions are different, but more importantly that tax & labour law provisions are vastly different. Since we cannot possibly offer a harmonized package of benefits to our employees across the EU because	

			of these differences, differentiated pension benefits follow the same logic. Thus, the lack of cross-border pension funds is not caused by the absence of proper EU regulatory framework on pension funds, it is caused by fundamental disparities between the national labour markets. Furthermore, even assuming EU regulation was required to foster cross-border pension funds, we do not see how imposing additional capital requirements would make cross-border funds any easier ? Given the above considerations, we do not see that any additional capital requirement for pension funds is required, whether drawn from Solvency 2 or otherwise. The case for reform is not clear. Therefore, we do not think it is appropriate for our company to be offering views on the QIS, since - the very purpose of the QIS and its underlying reform proposal is in doubt - the template for comments is inappropriately drawn from the financial sector.	
74.	Michelin, Public Affairs, Brussels	General Comment	We would like to thank EIOPA for its thorough consultation exercise. However, rather than going into the details of how the QIS should be operated, we would like to make a number of general comments : - First of all, we cannot help noticing that a lot of the proposed technical specifications are heavily inspired from the Solvency 2 framework for insurance companies, even though the Commission had said the rules for IORPs would not be just cut and paste from Solvency 2. We obviously regret this back-tracking.	Noted. Resemblances with Solvency II follow from Commission's CfA EIOPA will reconsider HBS

			- Second, the level of detail in the consultation is well beyond the capabilities of most international companies who sponsor pension funds. This would probably have made sense in the financial sector where the relevant expertise is to be found. Again, this appears to show a desire to borrow from financial services regulations and apply them to pensions. Accordingly, we believe the technical specifications are designed in such a way that interested parties will not be able to comment properly. Finally and more importantly, we question whether any additional capital requirement for pension funds is required and thus whether the QIS will serve any purpose at all. We will focus our comments in this area. Indeed, we understand the motivations for instituting additional capital requirements borrowing from the Solvency 2 approach to be as follows : 1) Ensuring level-playing field with insurance companies We acknowledge some particular IORPs may be in the same situation as insurance companies offering pension services on the competitive market. However, for the vast majority of IORPs, such as our company's pension fund, we believe this comparison with insurance companies is entirely inappropriate : our pension fund is not operating on the commercial market, it is not intended to make a profit. It is solely a human resource vehicle which is one component of a comprehensive package of benefits our company offers to its employees. As such, pension benefits afforded through our fund are the result of collective bargaining as part of broader labour considerations, they are not designed to compete with insurance companies. These arrangements will obviously change over time and they include important risk-sharing and risk-mitigating elements which make them very different from a private insurance contract: possibility to amend contributions paid by employees or employers, to amend benefits, to amend indexation, pension	approach after the QIS

			protection schemes etc. In addition, contrary to insurance companies operating various kinds of risk coverage, pension funds only cover one situation, the payment of pensions (no fire insurance, no car insurance etc). In this area, the need for capital outflow is more predictable, because the date of the occurrence is known in advance, i.e. when an employee reaches retirement age. Therefore, market-based and volatile risk measures, like Value at Risk, seem highly inappropriate for pension scheme monitoring. The Commission could usefully consider the models that have been developed recently in other OECD countries. The United States are a good example, which our company knows well as our local subsidiary holds significant defined benefit commitments. The Pension Protection Act (PPA) of2006, aims to secure pension scheme funding. Yet its framework is neither derived from insurance regulation nor based on market-related risk measures. The PPA enhances funding requirements but allows pension schemes to use smoothed technical rates and smoothed asset value as a means to amortise market shocks and to keep a long-term view in pension management. Ideally, the Commission could also consider the different models already available within the Union and build up on this long experience together with the pension community instead of applying a Solvency II model that has not been designed for IORP in the first place. 2) Ensuring future sustainability of pensions We are not aware of any systemic risk weighing on pension payments. It seems to us that there already are mechanisms in place to ensure pensions are duly paid by pension funds or their sponsoring companies, such mechanisms vary from one country to the next but are in line with local pension practices. For instance, for defined benefit schemes, there	

			is an unlimited last resort guarantee from the sponsoring employer (UK, Belgium, Germany) and sometimes also a national safety net sponsored by all pension schemes (UK, Germany). In addition, even assuming there was such an issue as systemic risk of pensions not being paid out, we do not see how a capital requirement would be helping towards resolution. In fact, the cure would be worth than the illness in this case : the more money companies have to tie up to pay pensions, the more their financial viability will be threatened. We believe the best form of protection to member benefits is a strong, solvent employer and confidence between contributors. We believe the attempt to impose higher solvency requirements would weaken the sponsoring employer as a Solvency 2 type regime would unnecessarily increase pension liabilities and thus funding requirements, far in excess of the actual payments required to pay out pensions. This would indeed : - Significantly increase employment costs in Europe for lots of employers, as well as employee contributions; - Force employers to reduce benefits or even to stop providing occupational pensions, which contradicts the objective set in the White Paper to develop occupational pensions in Europe as a remedy to declining Social Security pension schemes; - Force European companies to reduce value adding and job creating investments because of unnecessary contributions into pension solvency buffers, which are likely to be irrecoverable once all pensions will be paid; - Impose a significant competitive disadvantage to European companies / employers in the absence of any comparable solvency regulation internationally;	

			- Force European pension funds, which are long-term investors to divest from equities and eventually also from corporate bonds, thus creating a financing issue for corporates in Europe. Therefore, we strongly believe that the existing regulatory environments in our nations provide a strong framework to protect pension scheme members and pensioners. However, we are open to improve if necessary, some qualitative criteria to reinforce confidence of all stake holders of the pension funds. 3) Facilitation of cross-border pension funds We understand the Commission would like to see more of those EU-wide pension funds. We believe those already exist in the form of a given company pooling resources together to fuel several different national funds. However, what does not exist is a pension fund operating across several countries where the level of defined benefit is the same for all those countries. While the Commission may consider this as desirable, this is not doable in a situation where tax & labour law is widely different from one EU member State to the next. Our company operates a compensation policy which is adjusted and differentiated in each of the EU countries where we operate, by virtue of the fact that market conditions are different, but more importantly that tax & labour law provisions are vastly different. Since we cannot possibly offer a harmonized package of benefits to our employees across the EU because of these differences, differentiated pension benefits follow the same logic. Thus, the lack of cross-border pension funds is not caused by the absence of proper EU regulatory framework on pension funds, it is caused by fundamental disparities between the national labour markets.	

			Further, even assuming EU regulation was required to foster cross-border pension funds, we do not see how imposing additional capital requirements would make cross-border funds any easier ? Given the above considerations, we do not see that any additional capital requirement for pension funds is required, whether drawn from Solvency 2 or otherwise. The case for reform is not clear. Therefore, we do not think it is appropriate for our company to be offering views on the QIS, since - the very purpose of the QIS and its underlying reform proposal is in doubt - the template for comments is inappropriately drawn from the financial sector.	
75.	National Association of Pension Funds (NAPF)	General Comment	About the NAPF The National Association of Pension Funds is the UK's leading voice for workplace pensions. Our members operate 1,200 pension schemes. They provide retirement income for nearly 15 million people and have almost €950 billion of assets under management. Our membership also includes over 400 providers of essential advice and services to the pensions sector. This includes accounting firms, solicitors, fund managers, consultants and actuaries. The NAPF is also a founder member of the European Federation for Retirement Provision (EFRP).	Noted. EIOPA will reconsider HBS approach after the QIS EIOPA agrees more QISs are needed

			NAPF's approach to the IORP Directive review Although the NAPF recognises there are some benefits to be gained from strengthening the IORP Directive's provisions in relation to governance and communications, the NAPF does not support the EC's approach to pension scheme funding, where its proposals draw heavily on Pillar I of the Solvency II Directive. We are very concerned that the new funding framework set out in the Holistic Balance Sheet is unnecessary and potentially damaging for pension schemes and the economy alike. The timescale given for the consultation is unrealistic. It would be potentially damaging to produce a proposal based on QIS answers that would, at best, be unclear, incomplete and unreliable. The IORP Directive review could set the framework for pension scheme funding and regulation for many years to come. These are very significant issues with consequences for savers, investors and the EU's economic prospects. It is vital to take the time to get them right. This should involve a number of rounds of QIS. This response gives detailed answers to the 23 questions in the consultation paper. However, this willingness to engage on the detail should not be taken as acceptance of the overall principles of EIOPA's approach, about which the NAPF has a series of concerns.	

			☐ The EC argues that a new IORP Directive would help to promote the development of cross-border pension schemes. The NAPF does not detect a demand for such schemes. In any case, there are far more significant barriers to cross-border pension provision, such as differences between Member States' tax regimes. The NAPF does not accept the case for a new IORP Directive. ☐ NAPF research┐ shows that just one element of the Holistic Balance Sheet – the shift to using a risk-free discount rate in calculating the 'Level A' measure of liabilities – would increase the liabilities of UK defined benefit pension schemes by 27%. This would equate to a €330 billion increase in scheme funding requirements. · The extra funding demands on sponsoring employers would increase their insolvency risk and undermine their credit ratings. · Employers would be forced to reduce or cease providing pension benefits to their employees, resulting in less generous benefits for scheme members. There would be a further shift from defined benefit to defined contribution pensions, creating a system in which members would be more exposed to risks. · If sponsoring employers were required to put more funds into their pension schemes, then there would be less money available for investment and innovation, with a concomitant impact on growth. So the new IORP Directive could have a significant negative impact on the EU economy, making it more difficult to achieve the EC's 'Europe 2020'	

			targets on job creation and investment. ☐ The real priority for EC-level action should be to extend workplace pension saving to the 60 per cent of EU citizens who currently have no access to it.	
76.	National Grid	General Comment	National grid is an international electricity and gas company and one of the largest investor owned energy companies in the world. In the EU, National Grid owns the high-voltage electricity transmission network in England and Wales and operates the system across Great Britain. It also owns and operates the high pressure gas transmission system in Britain and its distribution business delivers gas to 11 million homes and businesses. National Grid also owns a substantial gas and electricity business in the US. National Grid sponsors two defined benefit schemes in the UK with combined assets of c.£16bn. National Grid believe that any implementation of revised solvency requirements to occupational pension schemes should be avoided. We remain greatly concerned following these proposals and our response to this consultation should not be interpreted as any indication of support for applying a solvency approach to EU occupational pension schemes. Nevertheless, as it is important that the full financial effects of any changes are understood prior to policies being implemented, National Grid supports the Quantitative Impact Study (QIS) exercise. However, we believe that given the 5 impact studies undertaken for the insurance	Noted. EIOPA will reconsider HBS approach after the QIS EIOPA agrees more QISs are needed

			industry a single QIS will be insufficient and we are concerned that the approach proposed is too narrow and will materially underestimate the costs and impact of the proposed revisions of the IORP Directive. In addition, the QIS ignores the broader impacts on financial behaviour, markets and company stability. We have responded to the consultation purely to give our views on whether the high level approach of the QIS will provide a sufficiently robust assessment to enable the correct policy choices to be made. We have not commented either on our wider views of the proposed application of aspects of Solvency II to pension funds, nor have we commented on the technical detail of how the proposals are implemented.	
77.	Nematrian Limited	General Comment	We have had the opportunity to contribute to responses that other organisations are making to this consultation paper. Our own response is therefore limited to one particular aspect of the QIS, namely how sponsor support and pension protection schemes might more practically be incorporated within the proposed HBS. For convenience all of our response is included as an answer to Q5 even though parts of it might also be relevant when answering other questions.	Noted.
78.	Nestlé Pensionskasse VVaG	General Comment	Nestlé Pensionskasse VVaG has in sum 32'646 members and beneficiaries, is regulated by the German BaFin and exists since 1959. Because of missing time and missing resources it is not possible for us to comment all points of the Draft Technical Specifications QIS IORP II. That's the reason why we decide to give only a general comment.	Noted. Solvency II based approach follows from Commission's CfA EIOPA will

			In our opinion is not useful to start a specification for IORPs with the framework for insurance companies (Solvency II). Because our pension fund is not operating on the commercial market. It is a social institution, it is not intended to make a profit and it is one important component of the benefit packages our sponsor offers to its employees. That is the reason why we think that these QIS specifications, their methodology and their complexity are the wrong way for "non-profit" IORPs like our pension fund is one. If the new rules and approaches (i.e. holistic balance sheet) which are described in this draft technical specifations getting valid, we are afraid that this will cause a strong impact to our business. It could be even possible that the sponsoring employers will not see a future in this way of promising employee benefits. The new rules and approaches will undermine the motivation of sponsoring employers to set up, develop and make use of IORPs in future. The specific features to IORPs like sponsor support, pension protection or last resort reduction have to be taken into account in a less complex manner.	reconsider HBS approach after the QIS
80.	Pension Fund of the Second German Television (ZDF)	General Comment	The pension fund of the ZDF has about 8.200 insured persons. We exist since 1972. We can not afford to comment the all the technical specifications of the IORP Directive.	Noted.

			We do worry about any new regulations, that could affect our successful business. Hence we reject any kind of considerations of the EIOPA in this direction.	
81.	Pension Protection Fund, UK.	General Comment	The Board of the Pension Protection Fund welcomes the opportunity to respond to the Draft Technical Specifications QIS of EIOPA's Advice on the Review of the IORP Directive consultation. As you will be aware from our participation within the Occupational Pension Committee technical working group this is an issue which we have a strong interest. We would wish to be clear that we recognise that the consultation on the technical specifications is a work in progress, and should only be considered a first impression of impacts of the Commission's proposals for a harmonised prudential regime. The consultation is also clear that techniques and specifications proposed for the QIS should not be read as the precursor for Tier 2 standards. We are aware that EIOPA recognises the technical specifications under consideration are new and untested in the sphere of occupational pension provision and this was identified to the Commission this spring. Taking account of these considerations the consultation provides a base which could be used to develop a QIS methodology. However in order to have a methodology that is 'fit for purpose' and a QIS that stakeholders can fully understand and engage with in a meaningful way further analysis, justification and development of the technical standards will be required. Without completing these steps it will not be possible to carry out a robust QIS or obtain reliable results upon which to consider appropriate next steps.	Noted. Some areas of technical specifications will be further developed EIOPA considers more QISs are needed

			We would also recommend considering whether the QIS timetable remains achievable.	
82.	Pensionskasse Degussa VVaG – PKD (Pension Fund Deg	General Comment	The german Pension Fund Degussa (Pensionskasse Degussa VVaG – PKD, Reg.-No.: 2123) has 80,000 policies, 36,000 policyholders and 24,000 pensioners. It has been successful for more than 60 years and is regulated by the german federal financial supervisory agency (Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin). The PKD is not in a position to comment on the technical specifications (according to a lack of time, a lack of staff capacity, and high costs). The PKD is concerned, to be unable to further continue its successful business by application of such new rules. The PKD therefore rejects the Commissions's plans on principle.	Noted.
83.	Pensionskasse der Bewag	General Comment	First off all we would like to comment, that because of the size of the Pensionskasse der Bewag there are limitations in time, personal and other resources. For this reason it is not possible to give more detailed comments on the technical specifications. The Pensionskasse der Bewag has more than 10.000 insured people and during the past decades never had any bigger problems. Although the Pensionskasse der Bewag is not open for new insurants, it would probably not be possible to keep the business running under the new capital requirements.	Noted.

			For the reasons mentioned above, the Pensionskasse der Bewag refuses the idea of the European Commission for a new solvency system.	
84.	Pensionskasse der Mitarbeiter der ehemaligen Frank	General Comment	The pension fund was established in 1961 and is operating for the employees of the sponsor company (Employer) only. There are 320 beneficiaries, which means, the pension fund is small, the policy reserve is below 50m€. The pension fund has no management. All admin work is done by people paid by the sponsor company. We do not have specific capacities to participate in a survey of the technical specifications laid down in CP-12-003, and we do not have know how in modelling . We expect that the IORP Directive is far too difficult for our business and does not fit to occupational pension funds. We see the risk that such a difficult and big rule book will challenge our business model and may result in discontinuing our successful business and the business of the occupational pension funds in general. At least, concentration, higher cost and less competition will be the result. Therefore, we believe that the plan of the Commission is not at all helpful for our business. We recommend to dismiss the Commission's plan and the theory behind the plan – coming from Solvency II for professional insurance companies – strictly.	Noted.
85.	Pensionskasse der Mitarbeiter der Hoechst-Gruppe V	General Comment	General Comment We welcome the opportunity to comment on the intended implementation of the Holistic Balance Sheet Approach (HBS-approach) to IORPs on the review of the current IORP-Directive. By publishing the consultation paper / initiating the public consultation,	Noted. Solvency II based approach follows from Commission's CfA EIOPA will reconsider HBS approach after

			EIOPA puts forward the draft technical specifications for the announced quantitative impact study on the review of the IORP-Directive. EIOPA aims to identify and to define the necessary parameters to assess the impact of the HBS-approach on the European level. With respect to the draft technical specifications (QIS) and the initiated public consultation of EIOPA, there seems to be a strong tendency to establish / implement the Holistic Balance Sheet to IORPs at all costs and without taking into account the primary objective of a review of the IORP-Directive, that should always be to improve the security and sustainability of occupational pension schemes all over Europe (the European Union). As a result, this will most likely cause adverse effects to the coverage ratio of employees having access to pension benefit schemes and will lead to reduced benefit levels and the closing of pension plans. Such a development however would be contrary to the agenda of the White Paper on pensions that sets out "An Agenda for Adequate, Safe and Sustainable Pensions". By executing (just one) QIS, it will not be possible to gather the necessary and adequate input for a sufficient consideration of a revised IORP-Directive. While EIOPA, on the final advice on the review of the IORP-Directive, did in fact strongly recommend that "any decision for a revision of the quantitative requirements of IORPs should not be taken before a sound and thorough cost benefit analysis is undertaken" (EIOPA Final Advice, p. 69), the European Commission / EIOPA, contrary to this, decided not to assess all costs and benefits on the announced QIS. Furthermore, because of the very tight time schedule given by the European Commission on the review of the IORP-Directive, there will obviously be no time for further investigations on costs and benefits /	the QIS EIOPA agrees more QISs are needed

			additional QIS-studies to be held before the envisaged publishing of a proposal for a revised IORP-Directive in summer 2013. Moreover, on the current QIS draft technical specifications as well as on the final advice on the review of the IORP-Directive, EIOPA has – as asked for by the European Commission – limited its focus solely on the HBS-approach and does not take into consideration alternative models / options to cope or bring in line the aims of the White Paper on pensions with the actual challenges caused by the debt crisis. Taking into account the current distortions on the capital markets with historical low interest rates and strong financial measures taken by the European Central Bank to cope with the actual crisis, it should be questioned, whether or not to proceed with a risk-based supervisory system like the HBS-approach / Solvency II "light", which relies that much on (risk-free) interest rates on the area of accounting / calculating of assets, liabilities and solvency capital requirements of IORPs without strong / comprehensive further adjustments. Taking a look at the recent developments in other countries like the United States of America or Denmark, the national governments in these countries at present are rather implementing reliefs or adjustments to their national accounting standards to ease the funding requirements as well as the competitive capability of the national insurance undertakings and / or IORPs. The concept of the HBS-approach is based on the model of Solvency II with supplementary adjustments for IORPs. However, one has to recognize that the discussion process about the fit of the Solvency-II-model for insurance companies has not ended yet. Just right now, there	

			is presently in discussion that there will be a grandfathering-period of seven years. Furthermore, there will be an additional QIS 6 and further adjustments to the calculation methods. Therefore, there should be no QIS for IORPs based on a Solvency-II-model, which has not been decided upon yet because such an IORP-QIS would mean a tremendous amount of cost and work for the participating IORPs. To get an overview about the pension liabilities and the funding-level of IORPs based on a unified interest rate on an European level, this could be easily achieved on the aggregated data of and by the national supervisory authorities. The presumable results of these calculations have been already published for Germany, the Republic of Ireland, the Netherlands and the UK. However, until now, there are no proposals / indications of the European Commission / EIOPA, how the authorities will deal with the presented results by these studies. The insurance industry has already started such discussions in 2002 and not finished them yet. As IORPs are not comparable with undertakings covered by Solvency II, there should be consequently no implementation / application of the HBS-approach to IORPs. Instead, there should be a different and adequate set of regulations for IORPs. The discussion about the amendments to the IORP-Directive therefore should not be limited to the HBS-approach but should also take into account alternative strategies to cope with the recent economic and political challenges. Taking into account the demographic challenges as well as the European debt crisis that the European Union and its member states will have to cope with in the following years, it will be very important to ensure /	

			stimulate a further extension of the coverage ratio of Occupational Retirement Provision all over the European Union because of the significant cost efficiency of these supplementary retirement systems. Therefore, it is absolutely necessary to make sure that employers are able to continue to offer guarantee schemes (defined benefit) to their employees, as the employees as well as politics have a strong interest in calculable and predictable pensions to avoid old-age-poverty in future. Contrary to these considerations, an implementation of the HBS-approach to IORPs running guarantee schemes would lead to unbearable solvency capital requirements and would therefore affect the cost-efficiency of such schemes in a very negative manner. In this case, employers / IORPS will inevitably be forced to close their guaranteed schemes and will either not offer Occupational Retirement Provision anymore or the design of new plans will be limited to more defined contribution schemes without any guaranteed benefits. Such a development should be avoided, because there is a strong empirical evidence that putting away any guarantees will lead to a decline in the coverage ratio of the workforce having access to occupational pension schemes. For these reasons, it might be a good advice to look for the implementation of alternative, more simplified model(s) that will ensure on one hand a working / functioning risk-based supervisory-system and at the same time will allow for maintaining in essence the present pension schemes in times of debt crises and all-time low interest rates. From our point of view, there are different scenarios / alternatives that should be considered while seeking for the implementation of a harmonized European supervisory system for IORPs.	

			At the starting point, there should also be considered to maintain the current IORP-Directive as it is as a true alternative. This is because in times of economic and debt crises, the European IORPs were able to act as a stabilizing factor on the financial markets because of their various security mechanisms as well as because of the application of the well-balanced minimum standards of Solvency I that are laid down within the current IORP-directive. In many countries, beneficiary did not loose any entitlements. Therefore, as we strongly recommend, one answer could be that in countries, where security mechanisms are in place, which provide for a full protection of the beneficiaries, there is no need for further regulation. Closing remarks: The HBS-approach in its recent form is not suitable for IORPs and will cause a massive negative impact to company pension benefit schemes. As a result, before going on with the proposed QIS, the European Commission should also examine alternative solutions / models. The European Commission / EIOPA should therefore evaluate alternative models, which, in contrary to the HBS-approach, can be considered as a balanced and functioning risk-based supervisory-system in times of debt crises and all-time low interest rates effectively safeguarding the entitlements of the members / insured employees and not jeopardizing existing benefit systems. As the decision about the review of the IORP-Directive is also a political one, all suitable alternatives should be on the table to be discussed upon! In countries where beneficiaries of IORPs are already safeguarded by national social and labour law, there is no need for additional legislation, which might lead to higher expenses, less attractive pension plans and fewer beneficiaries.	

			Frankfurt am Main, July 20, 2012 Pensionskasse der Mitarbeiter der Hoechst-Gruppe VVaG	
86.	Pensionskasse der Wacker Chemie VVaG	General Comment	Dear Sir or Madam The Wacker Pensionsfunds is one of the big Pensionskassen in Germany. It was founded in 1928. The current number of members comes to roughly 17, 000. We pay annuities to more than 7,000 pensioners in the amount of around 50 million Euros. The covering assets are more than 1.6 billion Euros. The Pensionskasse is highly esteemed by the staff and is crucial for the additional pension provisions One distinction between an insurance company and an IORP is, that the IORP, like the German Pensionskasse VVaG, a kind of pension fund, is	Noted. Solvency II based approach follows from Commission's CfA EIOPA will reconsider HBS approach after the QIS

			not able to require capital from the market e.g. from share holders. Only the plan sponsor, the company that offers occupational pensions to it's employees, can provide the pension fund with capital. An introduction of a framework similar or comparable to the Solvency II framework regarding the capital requirements for IORP will result in a situation where the employer can reduce the occupational pension for future service years of the employee in accordance with German labour law. In some cases there will be even the possibility to reduce already earned pension claims to avoid a financial collapse of the sponsoring company. As an other result of an introduction of Solvency II for IORP employers will be forced to change towards other pension vehicles, that are not subject of the IORP-directive, e.g. book reserved pension plans financed by the employer himself without using any kind of pension funds.. At short notice the Pensonskasse is not able to comment on the technical specifications for the QIS of EIOPA 's Advice on review of the IORP Directive. We expect strongly that our sponsor companies wil not longer support our pensionfund if the intentional rules will take place - never mind raise additional money. We are convinced there will be uncalculable damages for the German Pensionskassen if the plans of the European Commission will be agreed. From our point of view there is no sense in these plans.	
87.	Pensions-Sicherungs-Verein VVaG	General Comment	The Pensions-Sicherungs-Verein Versicherungsverein auf Gegenseitigkeit (PSVaG) has served as the statutory agency responsible for protecting occupational pension programmes against insolvency in Germany since	Partially agreed. EIOPA will reconsider HBS

			1975 and in Luxembourg since 2002. 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 system (PPS). The maximum amount of benefits covered by the PSVaG is approx. 7,900 EUR (as of 2012) per month. Pension protection is funded by contributions from the approximately 92,000 sponsoring employers in accordance with statutory requirements. Further remarks pertain solely to institutions for occupational retirement provision (IORPs), which are subject to the requirements of statutory pension protection in Germany. Our experience to date has shown that the level of claims from this sector is limited. Therefore, we do not recognize a need to set higher capital requirements for these IORPs. We regard the current accounting principles and supervisory measures as sufficient. The basis for calculation of the solvency capital requirement of IORPs is provided by the guideline of Solvency II for insurance companies. These were originally drafted for the banking sector and later applied to insurance companies as well. It is unclear to what extent these general rules can also be applied to IORPs as well, since the business models of banks or insurance companies and IORPs differ substantially. That notwithstanding, and with respect to the recommendation contained in the specifications, the fact that the specific characteristics of occupational pension programmes (sponsor support and the PPS) are to be taken into consideration must be assessed as positive. The	approach after the QIS Some areas of technical specifications have been simplified IORPs do not have to calculate risk modules that are not material Sponsor support section will be further developed

			significantly reduced risk margin requirements must also be viewed in a positive light, although we still consider the complete elimination of such requirements as necessary and appropriate. We note that PPS is still defined as a possible option and not as a definitive position in the specifications. In our view, protection through a PPS should be taken into account as an sufficient asset in the holistic balance sheet and in the calculation of the solvency capital requirement, as IORPs would otherwise be subject to unreasonable capital requirements for no justifiable reason. The PSVaG represents a central component of the occupational pension system. An overall assessment from the viewpoint of IORPs must necessarily include pension protection institutions, as a pension protection institution represents an essential security mechanism for IORPs. Since the EU Commission has given assurance that existing, functioning systems are not to be destroyed, national decisions regarding the structure of the system must also be taken into account in a new supervisory system. As a rule, the PSVaG covers 100% of the obligations of IORPs subject to statutory insolvency pension protection in Germany and Luxembourg. Exceptions include pension benefits in excess of the current maximum of approx. 7,900 EUR per month as well as legally forfeitable entitlements, which ordinarily generate only very low pensions. In our view, this means as a rule that security mechanisms (sponsor support and PPS) close the gap between the amount of benefit obligations and other assets in the HBS. Neither an additional risk margin nor additional solvency capital is required, since the security mechanisms compensate for the coverage gap. Given the numerous options for valuation, an overall assessment of the	

			effects on capital requirements and thus on the entire occupational pension system is practically impossible. The procedure recommended for the calculation of capital requirements is mathematically highly complex. On the other hand, however, a number of very general assumptions (normal distribution, constant probability of insolvency, recovery rate of 50%) are made. Moreover, several of the parameters considered (EBTDA, correlations, standard deviations) are very difficult to estimate. Thus it is important to realize that a 99.5% quantile computed on the basis of such input parameters can only represent a rough estimate. It should also be noted that the proposed calculation method may result in high volatility in the amount of capital required due to the volatility of the input parameters themselves. In our opinion, a simplified, generalized approach would be preferable. Although a significant portion of the pension obligations met through IORPs in Germany are handled by IORPs with multiple sponsors, the model is not suitable for calculating the solvency capital requirement of IORPs with multiple sponsors in our opinion. The balancing of risks within the collective of sponsoring organizations is not taken into account when required solvency capital requirements for the individual sponsors are added together.	
89.	Punter Southall	General Comment	About Punter Southall Punter Southall ("PS") provides a full range of pension consultancy	Partially agreed. Solvency II based approach follows from

			services in the UK including actuarial consulting, pension scheme administration services, defined contribution plan consulting, health and protection services, investment consulting and international consulting. Our clients are primarily medium and large sized UK occupational pension schemes and their employers. We are part of the Punter Southall Group which has over 700 staff in 10 locations throughout the UK and whose pension scheme clients range in size from around 20 members to over 100,00 members. www.puntersouthall.com PS is fundamentally opposed to the proposal to apply a regime based on Solvency II to IORPs. We believe that the adoption of a regime designed for insurance companies by IORPs through the use of the holistic balance sheet is inappropriate and will be potentially damaging to UK IORPs and the wider UK economy. Further, there is no evidence to support the need for a revision of the existing IORP funding framework which has continued to work well, even in the existing challenging economic environment. PS's General Comments on the Draft Technical Specifications QIS PS has a number of general comments in respect of the Draft Technical Specifications for the QIS. The specific questions asked by the consultation are addressed in the sections that follow. Given the short	Commission's CfA EIOPA will reconsider HBS approach after the QIS There is not enough information at this stage to specify supervisory responses EIOPA considers that more QISs are needed

			timescale for the response, we have not focused on the technical detail of the consultation. However, where we have not answered a particular question, this should not be taken as our tacit or implied agreement. Increased Capital Requirements The consultation is fundamentally flawed as it does not cover the wider impacts of a Solvency II style regime on IORPs. In particular, the focus of the QIS is limited only to the holistic balance sheet and does not consider the regulatory actions that would be triggered should the holistic balance sheet not balance. In the absence of information on any increased capital requirements, it is impossible to comment on the proposed calculation methodologies. "Cut & Paste" Despite the reassurances given by Commissioner Barnier at the public hearing on 1 March 2012, it is disappointing to note that a significant portion of the consultation is simply "cut & paste" from Solvency II. This regime was developed over a number of years through consultation with the insurance industry and included five QISs. It is difficult to understand why the same time and depth of consideration is not being applied to creating a Solvency II style regime for IORPs. Peer Review Given the complex nature of many of the elements included within the QIS we would like confirmation that the technical sections and formulae contained within the QIS have been peer reviewed as fit for purpose. We would request that the results of the peer review are made publicly available.	

			Redundant Elements We consider the proposed methodologies and subsequent consultation on the sponsor covenant and pension protection scheme elements of the holistic balance sheet to be somewhat redundant as they have been put forward solely for the QIS to take place. If these methodologies and techniques are not to be adopted, then there seems little point providing detailed responses to these elements of the consultation and the QIS itself will prove meaningless. Limited Timescales Given the complexity of the consultation, PS considers that the timescales for this consultation are lamentably short. We expect that this will result in many respondents being forced to make a simplified response without being able to make full representations on the detail of the consultation. We regret that we have not been able to give more in-depth consideration to the minutiae contained within the consultation (although, as noted above, the way in which the methodologies for sponsor covenant and pension protection schemes are being evaluated means that any detailed response in this areas could well prove to be meaningless in any case).	
90.	Railways Pension Trustee Company Limited (RPTCL)	General Comment	As background information to our response, Railways Pension Trustee Company Limited (RPTCL) is the Trustee of four private sector pension schemes serving employees, pensioners and employers involved in the UK railways industry. In total, these schemes have around 350,000 members, including around 85,000 active members who are accruing	Noted. EIOPA will reconsider HBS approach after QIS

			defined benefits. Over 150 private sector employers, including a number with non-UK parent companies based elsewhere in Europe, are involved in sponsoring RPTCL's schemes, as are also the UK's Department for Transport and the British Transport Police Authority. This response follows RPTCL's response to Consultation Paper No. 06 (EIOPA-CP-11/006), in which we raised concerns that changes to scheme funding requirements, as part of the review of the IORP Directive, may have a very significant and adverse financial impact on our members. We continue to have such concerns. In addition to our overall concerns, we have some comments relating to the Consultation, which are set out under the appropriate question. However, we have not addressed every question within the consultation. As a further general comment, RPTCL considers that the timescale provided for the consultation period has been unreasonably short, especially given the highly technical nature of the consultation material and the potential significance of the issue to IORPs. We see no good reason why the normal three month consultation period could not have been adopted.	
91.	Rothschild	General Comment	The consultation does not explain what the methodologies in the QIS will be used for. Nor does it address the wider implications of applying a Solvency II-type regime to pensions. Requiring UK defined benefit pension funds to be funded like insurance companies would impose very substantial burdens on sponsoring employers and would be likely to lead	Noted. HBS will be used for funding purposes, in line with

			to further reduction or removal of defined benefit pension provision Further, the Holistic Balance Sheet proposals fail entirely to recognise the potential interaction between the proposed IORP Directive and other regulatory regimes which govern the capital requirements of financial firms. Thus, if the Holistic Balance Sheet of a bank's definted benefit pension scheme is made to balance by contractualised funding undertakings from the bank, this contractual support will be deducted from the bank's regulatory capital. For this reason, the Holistic Balance Sheet will not provide financial sector employers with the intended mitigation of the cost of maintaining the Holistic Solvency of their defined benefit pension schemes. The proposal is thus grossly misconceived. Quantitatively, it would require wholly unrealistic amounts of equity capital to be raised by employers in the financial sector. No corresponding benefits would be achieved for any party, except possibly for life insurance companies which do not themselves sponsor defined benefit pension schemes for their employees.	Commission's objective EIOPA will reconsider HBS approach after the QIS
92.	RWE Pensionsfonds AG	General Comment	EU commissioner Michel Barnier promissed that pension funds would not be subject to the same rules as set out in Solvency II. Unfortunately the current draft of technical specifications for QIS IORP II looks rather like Solvency II plus Sponsor Support plus Pension Protection Schemes. We do not consider this appropriate given the comments by Michel Barnier. Unfortunately the process and requirements are so complicated that many IORPs will "technically" not be able to participate in the QIS. If the resulting IORP II-regulation has the goal of more concentration or	Noted. EIOPA will reconsider HBS approach after QIS EIOPA considers that proportionality should be

			reduction of occupational pensions than already this process (QIS in current format) causes such thinking. Gabriel Bernardino, Chairman of EIOPA, stressed ideas of proportionality and transparency for future IORP regulation. To us, proportionality would imply an easier solution than Solvency II because most IORPs will have less resources than insurance companies for such calculations and it is totally unclear how these calculations can be transparent. The management of capital needs will have to be based on scenario analyses and stress tests, meaning it will be dependend on assumptions, not on facts. A transparent process would make use of easy-to-understand-calculations which make a clear understanding of future capital needs possible, which then could be managed accordingly. We do not believe that this QIS will help the EU Commission to understand the volatility of capital needs of IORPs for future time periods as changes over time can not be realistically estimated.	discussed at later stage when information on practicability of calculations is available
93.	SANOFI	General Comment	We would like to thank EIOPA for its thorough consultation exercise. However, rather than going into the details of how the QIS should be operated, we would like to make a number of general comments : - First of all, we cannot help noticing that a lot of the proposed technical specifications are heavily inspired from the Solvency 2 framework for insurance companies, even though the European Commission had said the rules for IORPs would not be just cut and paste from Solvency 2. We obviously regret this back-tracking. - Second, the level of detail in the consultation is well beyond the capabilities of most international companies who sponsor pension funds. This would probably have made sense in the financial sector where the relevant expertise is to be found. Again, this appears to show a desire to borrow from financial services regulations and apply them to pensions. Accordingly, we believe the technical specifications are designed in such	Noted. Solvency II based approach follows from Commission's CfA EIOPA will reconsider HBS approach after the QIS

			a way that interested parties will not be able to comment properly.	
96.	Svenska Pensionsstiftelsers Förening (SPFA)	General Comment	When the IORP Directive (2003/41/EG) currently in force was implemented into Swedish law Swedish "Pensionsstiftelser" were incorrectly classified as IORP:s. This mistake was, and still is, very obvious to anyone that knows how a Swedish Pensionsstiftelse operates and is functioning. The most important element is that a Swedish Pensionsstiftelse is by law prohibited to carry any form of pension obligation on its balance sheet. The employer is solely responsible for the pension obligations and the Pensionsstiftelse, voluntarily founded by the employer, has a function as a pledge in case of the employer's insolvency. In addition there are other criteria in the Directive which are not fulfilled by a Pensionsstiftelse. Hence, we are in the firm conviction that a Swedish Pensionsstiftelse is not to be considered as an IORP and consequently is not to be affected by the proposed IORP II. This means we don't have any other comments on the QIS IORP II. In order to penetrate f the motives for and how the IORP Directive was implementation in Swedish law SPFA conducted a study which is quoted below (in Swedish).	Noted.

			Svenska tryggandestiftelser är inte tjänstepensionsinstitut: - på rent formella grunder, eftersom tjänstepensionsdirektivets rekvisit inte är uppfyllda, och - på grund av att det i tjänstepensionsdirektivet eftersträvade konsumentskyddsintresset av förmånstagare saknas, speciellt för den övervägande volymen av pensionsåtaganden där pensionsåtagandena har krav på att kreditförsäkring eller annan säkerhet finns Inledning och slutsats SPFA är en förening vars medlemmar utgörs av svenska tryggandestiftelser och har till uppgift att tillvarata medlemmarnas intressen i olika sammanhang. SPFAs medlemmar anser att ett betydande antal svenska tryggandestiftelser felaktigt kommit att omfattas av Europaparlamentet och rådets direktiv 2003/41/EG (tjänstepensionsdirektivet) genom den svenska genomförandelagstiftningen. SPFA har gått igenom lagstiftningsarbetet för att kontrollera om det svenska tryggandesystemet därvid blivit rätt uppfattat och beskrivet i alla delar. Detta dokument utgör resultatet av den genomgången och innehåller SPFAs kommentarer och tillrättalägganden av argumentation och beskrivning i olika delar av lagstiftningsarbetet. I detta dokument använder vi begreppet tryggandestiftelse (ibland även benämnda "realstiftelse") avseende	

			SPFAs medlemmar, som vi anser vara felaktigt kategoriserade som tjänstepensionsinstitut, för att markera att dessa inte har någonting med pensionsåtaganden att göra. Som framgår nedan har det förekommit ett antal felaktiga uppgifter och antaganden i förarbetena till den svenska lagstiftningen om genomförandet av tjänstepensionsdirektivet. Ytterst verkar den svenske lagstiftaren falla tillbaka på diskussioner som den svenska regeringens representanter fört med kommissionen om tolkningen av direktivets artikel 6 och att kommissionen förklarat att svenska tryggandestiftelser uppfyller förutsättningarna i artikel 6. Detta trots att sådana stiftelser enligt den strikta ordalydelsen i artikel 6 endast uppfyller två av fem uppställda rekvisit. Vad som förevarit under diskussionerna med kommissionen framgår inte. Det kan dock inte uteslutas att kommissionen bibringats en felaktig uppfattning av hur de svenska tryggandestiftelserna är uppbyggda och fungerar. Det måste antas att kommissionens tolkning av tjänstepensionsdirektivet inte kan anses stå över direktivets ordalydelse vilket bör leda till att det görs en förnyad prövning av den svenska lagstiftaren och att den svenska lagstiftningen därefter justeras. I samband härmed kan även missuppfattningar hos kommissionen undanröjas. SPFA erbjuder sig att ställa sin kunskap till förfogande och medverka i en sådan översyn. Vi vill också särskilt påtala och vi anser det anmärkningsvärt att tryggandestiftelser ansetts vara tjänstepensionsinstitut medan tyska så kallade CTA (Contractual Trust Arrangements), vilka i allt väsentligt har en liknade uppbyggnad och funktion som svenska tryggandestiftelser, inte anses vara tjänstepensionsinstitut.	

			1. Tjänstepensionsdirektivet Tjänstepensionsdirektivet, Art 6, lyder (vår numrering): "I detta direktiv avses med a) tjänstepensionsinstitut eller institut: ett institut som, oavsett dess rättsliga form, (1) förvaltar fonderade medel och som är (2) etablerat oberoende av uppdragsgivande företag eller branschorganisation utifrån syftet att (3) tillhandahålla pensionsförmåner i samband med yrkesutövning (4) på grundval av en överenskommelse eller ett avtal som slutits — enskilt eller kollektivt mellan arbetsgivare och arbetstagare eller deras respektive företrädare, eller — med egenföretagare i enlighet med lagstiftningen i hem och värdmedlemsstaten och (5) som bedriver verksamheter som direkt föranleds av dessa." För att svenska tryggandestiftelser ska anses vara tjänstepensionsinstitut menar SPFA att alla fem rekvisit i Art 6 måste vara uppfyllda. Enligt SPFAs uppfattning uppfyller svenska tryggandestiftelsers verksamhet respektive svenska arbetsgivares utfästelser om pension endast punkterna (1) och (4). Punkten (2) uppfylls inte eftersom arbetsgivaren, efter medgivande från relevant Länsstyrelse kan "återföra" tidigare till stiftelse avsatta medel och eventuell i stiftelse ackumulerad avkastning och trygga sin utfästelse	

			(i) genom att ta upp utfästelsen som en post i balansräkningen under "Avsatt till pensioner" eller (ii) genom premielösning och därpå följande gottgörelse ur stiftelsen. Inkomsskattelagen, (28 kap. 17 §) tar också explicit upp möjligheten med så kallat byte av tryggandeform. Punkten (3) uppfylls inte eftersom tryggandestiftelser enligt lag är förhindrade att ställa ut några som helst pensionslöften. Punkten (5) uppfylls inte eftersom tryggandestiftelsers verksamhet inte bedrivs som en direkt följd av avtal under punkten (4) utan som ett fritt val av arbetsgivaren . Det finns inte ett krav på att en tryggandestiftelse skall bildas och det finns alternativa metoder för ställande av pant (se nedan kommentar till SOU 2004:101). I bilaga 1 lämnas en kortfattad beskrivning av tyska CTA som vad vi förstår uppfyller rekvisiten (1), (2) och (4), dvs ett rekvisit mer än tryggandestiftelser. Tyska CTA är dock inte tjänstepensionsinstitut. 2. SOU 2004:101 Genomförande av tjänstepensionsdirektivet På sidan 145 i SOU 2004:101 står det följande (kursivering tillagd): "Genom att stiftelsealternativet inte innehåller några försäkringsinslag skiljer sig verksamheten i en stiftelse väsentligt från den i en tjänstepensionskassa. Eftersom medel genom avsättning till stiftelse fonderas i en separat juridisk person och syftet med avsättningarna är att tillhandahålla tjänstepension är dock även pensionsstiftelserna enligt direktivets ordalydelse att beteckna som ett	

			tjänstepensionsinstitut. Direktivet slår fast regler för verksamheten i och tillsynen över juridiska personer som inrättats oberoende av, dvs. separat från, arbetsgivaren och vilka har till uppgift att förvalta medel som är öronmärkta för tjänstepension. Vem som står för själva pensionsutfästelsen och gör pensionsutbetalningarna – arbetsgivaren eller institutet – har härvidlag ingen betydelse. Även pensionsstiftelserna omfattas därmed av direktivet. Som kommer att framgå i det följande föranleder dock stiftelsernas karaktär av pant utan egna åtaganden särskilda bedömningar beträffande bl.a. direktivets regler om tekniska avsättningar, skuldtäckning och kapitalkrav jämfört med vad som är fallet för tjänstepensionskassornas del.” SPFAs kommentarer och tillrättalägganden Det finns två möjligheter för en svensk arbetsgivare att trygga sina pensionsutfästelser. Det ena möjligheten, kallad balansföring (eng. “Book Reserve”, ibland i Sverige även kallad “egen regi lösning”), är genom upprättande av en balanspost och vanligtvis kombinerat med krav på att någon form av säkerhet/pant ställs för fullgörande av åtagandena, t.ex. tryggande i stiftelse. Den andra lösningen, kallad premielösning, innebär att arbetsgivaren köper pensionsförsäkring. Arbetsgivare kan fritt välja mellan dessa två möjligheter och fritt kombinera dem. Arbetsgivarens syfte med att avsätta medel i en tryggandestiftelse är inte att stiftelsen skall tillhandahålla tjänstepension. Det är en tryggandestiftelse i lag förbjuden att göra. Tjänstepension tillhandahålls av arbetsgivaren till 100 % ur sin balanspost för ändamålet. När arbetsgivaren har tillhandahållit tjänstepension och relevanta förutsättningar är uppfyllda, kan arbetsgivaren begära gottgörelse från	

			tryggandestiftelsen (om sådan är bildad) motsvarande de pensionsutbetalningar denne har gjort. Stiftelsens styrelse har att, mot bakgrund av gällande lag och stiftelsens stadgar, bedöma om förutsättningarna för utbetalning av gottgörelse är uppfyllda. Gottgörelse lämnad till arbetsgivaren är inte tjänstepension. Om stiftelsekapitalet minskar på grund av negativ avkastning på stiftelsekapitalet kan arbetsgivaren inte åberopa detta som anledning till att inte fullt ut uppfylla sina tjänstepensionsutfästelser och måste stå för mellanskillnaden med nya medel. Om arbetsgivaren skulle komma på obestånd upphör dennes utbetalningar av tjänstepension. I enlighet med stiftelsens egenskap av pant så ska stiftelsen då likvideras och tillgångarna användas för att köpa pensionsförsäkring (till exemplel hos Alecta om det är fråga om utfästelser under ITP2-avtalet) som därefter garanterar de tjänstepensioner som arbetsgivaren utfäst men inte längre är i stånd att tillhandahålla. Om stiftelsens tillgångar inte fullt ut räcker till för att möjliggöra för försäkringsgivaren att täcka arbetsgivarens utfästelser träder, i enlighet med majoriteten av tillämpliga kollektivavtal , en kreditförsäkrare in (PRI. Pensionsgaranti, eller annan part/säkerhet) och täcker upp bristen i händelse av arbetsgivarens obestånd. Följaktligen tryggar stiftelsens tillgångar i obeståndsfallet kreditförsäkrarens åtaganden, helt eller delvis, inget annat. Arbetstagarnas risk är alltså i dessa fall att kreditriskförsäkringsgivaren (PRI.Pensionsgaranti eller andra riskbärare alternativt annan säkerhet) kommer på obestånd eller inte fullt ut kan täcka en eventuell skillnad mellan befintlig säkerhet och pensionsutfästelsernas storlek. I de fåtal fall då det tillämpliga kollektivavtalet inte innehåller krav på kreditförsäkring kan det anses uppstå en brist för arbetstagarna om arbetsgivarens konkursbo inte räcker till att köpa försäkringar som täcker hela pensionsutfästelsen.	

			Sådant kollektivavtal finns t.ex. inom den kommunala sektorn där arbetsgivaren är kommunen eller kommunalt bolag och där kommunen i stället utfärdar borgen som täcker utfästelserna, vilket eliminerar risken för att förmånstagarna skall lida skada. I det fall en arbetsgivare med balansföringslösning väljer att inte trygga sina pensionsutfästelser via en tryggandestiftelse, kan krediförsäkringsgivaren kräva annan säkerhet från arbetsgivaren. Som säkerhet kan t ex lämnas bankgaranti, pantsatta tillgångar (fastigheter, kapitalförsäkring eller andra tillgångar som kan värderas och omsättas), likviditet på spärrat bankkonto eller kommunalt eller statligt borgensåtagande. Om arbetsgivaren använder något av dessa alternativ till tryggande förekommer ingen reglering eller tillsyn från myndighet. Vi tycker att den skillnaden är anmärkningsvärd. Av intresse är även Finansinspektionenens analys i sitt remissvar (FI Dnr 04-7558-001, daterat 2005-01-18, sida 3): "… Stiftelsernas karaktär av pant för en arbetsgivares pensionslöften, utan egna åtaganden, gör att de grundläggande kriterierna för tillsyn under Finansinspektionen saknas. Den reglering och tillsyn som Finansinspektionen bedriver syftar vad gäller tjänstepensionsföretag till att säkerställa en solvens/kapitalstyrka som matchar risker och åtaganden (stabilitetsperspektivet) och att pensionstagarna får rätt information på det finansiella området (konsumentperspektivet). När stiftelserna inte har egna åtaganden, utan fungerar som pant för företagets skyldigheter, finns inte det tillsynsbehov som kännetecknar annan tjänstepensionsverksamhet. Stiftelsernas verksamhet är därför utifrån FI:s perspektiv både avvikande och främmande…."	

			och "… Karaktären som pant där arbetsgivaren – inte stiftelsen – under alla omständigheter har obegränsat ansvar för sina pensionsutfästelser gör att närmaste svenska parallell inte är andra sk. tjänstepensionsinstitut utan den modell där företagen redovisar sina pensionsåtaganden i egen balansräkning (s.k. skuldföring) och där man tryggar pensionsskulden med en kreditförsäkring…." 3. Propositionen 2004/05:165 På sidorna 109 och 110 i prop. 2004/05:165 står det följande (kursivering tillagd): "Pensionsstiftelser En arbetsgivare kan även välja att göra avsättningar av pensionsmedel till en pensionsstiftelse för att därigenom trygga sina pensionsutfästelser till de anställda eller deras efterlevande. En sådan stiftelse är en egen juridisk person och således i den bemärkelsen fristående från arbetsgivaren. Såsom har beskrivits i avsnitt 4.4.1 är det dock i dessa fall, till skillnad från vad som gäller vid tjänstepensionsförsäkring, alltid arbetsgivaren som svarar för själva utfästelsen om pension och stiftelsen innehåller inte någon skuldpost som svarar mot pensionsutfästelsen. Förmögenheten i stiftelsen kan i stället jämställas med en säkerhet eller en pant för arbetsgivarens pensionsutfästelse för det fall att	

			arbetsgivaren kommer på obestånd. I linje med detta är det arbetsgivaren som också ansvarar för värderingen av pensionsåtagandena liksom för utbetalningen av pensionsförmånerna. Arbetsgivaren kan därefter få gottgörelse ur överskott på stiftelsens kapital, beräknat på visst sätt. Eftersom stiftelsealternativet inte innehåller något försäkringsinslag skiljer sig dess verksamhet väsentligt från den i en tjänstepensionskassa. Stiftelsens uppgift är endast att förvalta det kapital som arbetsgivaren avsätter till stiftelsen och säkerställa att arbetsgivarens pensionsutfästelser därmed kan uppfyllas, och den tillhandahåller följaktligen i den bemärkelsen inte själv pensionsförmåner. Flera remissinstanser har därför ifrågasatt att pensionsstiftelser skall anses falla under direktivets definition av tjänstepensionsinstitut. Svaret på huruvida så skall vara fallet eller inte får sökas utifrån tjänstepensionsdirektivets syften. Under rådsförhandlingarna av direktivet förde Sverige upprepade diskussioner med EG-kommissionen om de svenska pensionsstiftelsernas särdrag och hur dessa förhöll sig till syftena med direktivet. En del av förklaringen till den då mer sökande inställningen från Sveriges sida kunde hänföras till den dåvarande, ännu icke juristlingvistgranskade svenska översättningen av kommissionens ursprungliga direktivförslag. Av denna översättning framgick av artikel 6 (a) att med tjänstepensionsinstitut eller institut avsågs "ett institut som förvaltar fondmedel och som är etablerat oberoende av något uppdragsgivande företag eller någon branschorganisation i uteslutande syfte att tillhandahålla pensionsförmåner". Den formuleringen kunde leda tanken till att ett institut, för att omfattas av direktivet, självt måste tillhandahålla (dvs. betala ut) förmånerna.	

			Detta var emellertid inte kommissionens avsikt med bestämmelsen. Som tidigare konstaterats (se avsnitt 6.2) syftar tjänstepensionsdirektivet till att reglera den "rest" av finansiella institut som agerar på tjänstepensionsmarknaden och som ännu inte omfattas av gemenskapsregler. Vidare är, som beskrivits i avsnitt 5.4, avsikten med direktivet att möjliggöra en effektiv förvaltning av kapital som fonderats för tryggande av tjänstepension, samtidigt som de framtida pensionärerna tillförsäkras en hög grad av trygghet. Vem som däremot tillhandahåller förmånerna – själva institutet, arbetsgivaren eller någon annan – har däremot ingen betydelse. Om så vore fallet skulle medlemsstater som inte önskar tillämpa direktivet på vissa segment av sin tjänstepensionsmarknad kunna ändra sin nationella lagstiftning så att ansvaret för att tillhandahålla förmånerna flyttas från ett institut som annars skulle ha träffats av direktivets definition till någon annan fysisk eller juridisk person, och därmed åstadkomma att förstnämnda institutstyp utesluts från direktivets tillämpningsområde. En sådan ordning skulle uppenbarligen motverka de nyssnämnda syftena med direktivet. Den aktuella bestämmelsen i direktivet – artikel 6 (a) – måste således uppfattas så att, vilket numera också framgår av den justerade svenska översättningen, institutet skall förvalta medel utifrån syftet att tillhandahålla pensionsförmåner (jfr "for the purpose of providing retirement benefits" i den engelska språkversionen av direktivet). Inte heller kan stiftelsens karaktär av pant för arbetsgivarens pensionsutfästelse eller ens avsaknaden av krav på "full fondering" av utfästelserna anses tala emot att de omfattas av direktivet. Stiftelserna är som nämnts en säkerhet för arbetsgivarens pensionsutfästelse för det fall att arbetsgivaren kommer på obestånd. Deras medel är därigenom öronmärkta för att täcka pensionsutbetalningar och det skulle framstå som märkligt om förmånstagarna i dessa fall skulle anses mindre skyddsvärda än om pensionsmedel förvaltades för deras räkning i exempelvis en tjänstepensionskassa.	

			Sammanfattningsvis finner regeringen att även pensionsstiftelserna enligt direktivets ordalydelse och bakomliggande syften är att beteckna som ett tjänstepensionsinstitut eftersom arbetsgivaren genom att göra avsättningar till en pensionsstiftelse fonderar medel i en egen separat juridisk person utifrån syftet att tillhandahålla tjänstepension. Som kommer att framgå i det följande föranleder dock stiftelsernas karaktär av pant utan egna åtaganden särskilda bedömningar beträffande bl.a. direktivets bestämmelser om tekniska avsättningar, skuldtäckning och kapitalkrav jämfört med vad som är fallet för övriga svenska tjänstepensionsinstitut.” SPFAs kommentarer och tillrättalägganden Det förekommer ett antal missuppfattningar i den citerade texten ovan. För det första tryggar inte avsättningarna till en tryggandestiftelse själva utfästelserna att betala pension utan kreditförsäkrarens exponering mot den som gjort åtagandet - arbetgivarens betalningsförmåga. Som vi beskrivit ovan under punkten 2 har arbetstagarna ingen exponering mot stiftelsens kapital eller förvaltning. Arbetstagarna kan i inget fall framställa krav mot stiftelsen. I de fåtal fall då det tillämpliga kollektivavtalet inte innehåller krav på kreditförsäkring kan det anses uppstå en brist för arbetstagarna om arbetsgivarens konkursbo inte räcker till att köpa försäkringar som täcker hela pensionsutfästelsen. Sådan kollektivavtal finns t.ex. inom den kommunala sektorn där arbetsgivaren är kommunen eller kommunalt bolag och där kommunen i stället utfärdar borgen som täcker utfästelserna, vilket eliminerar risken för att förmånstagarna skall lida skada.	

			För det andra så har tillgångarna i en tryggandestiftelse inget uteslutande syfte att tillhandahålla pensionsförmåner, en tryggandestiftelse kan inte ens till någon del ha ett sådant syfte eftersom detta, eller åtaganden avseende pensionsförmåner, är uttryckligen förbjudet i lag. För det tredje så är tryggandestiftelser inte finansiella företag/institut och de agerar inte på någon marknad för tjänstepensioner, eftersom de inte får utge några pensionsutfästelser och deras kapital är öronmärkt att användas för arbetsgivarens framtida krav på gottgörelse eller dess kreditförsäkrares krav på ersättning. Om en pensionsförpliktelse skall lösas in mot premie så är det arbetsgivaren som själv fattar beslut om en sådan åtgärd. Arbetsgivaren betalar inlösenpremie och begär därefter gottgörelse från tryggandestiftelsen för dessa pensionskostnader. Tryggandestiftelsen har ingen skuld att lösa in och kan ej heller förvärva någon skuld. Därmed torde det stå över allt rimligt tvivel att tryggandestiftelser inte har någon möjlighet att verka på "en marknad". Det går inte att investera i en Tryggandestiftelse, såvida man inte är grundare eller deltar i ett upprättat konsortium av företag som valt att samförvalta de medel som respektive bolag avsatt till tryggandeförvaltning. För det fjärde har medelförvaltningen i stiftelsen inte som syfte att tillhandahålla tjänstepension och medlen är inte öronmärkta för att täcka några pensionsutbetalningar, varken direkt eller indirekt. De är öronmärkta för att gottgöra arbetsgivaren för genomförda pensionsutbetalningar och i händelse av arbetsgivarens konkurs skydda kreditriskförsäkrare för alltför stora kreditförluster. Arbetstagarna har ingen exponering på stiftelsen och har ingen fördel av att stiftelsen	

			förvaltar sitt kapital väl eller nackdel av att den förvaltar det dåligt. Arbetstagarna har att ställa sina krav mot arbetsgivaren och, om denne inte kan infria sina utfästelser, mot försäkringsbolag (t.ex Alecta). Som sagts ovan kan det i de fåtal fall då det tillämpliga kollektivavtalet inte innehåller krav på kreditförsäkring anses uppstå en brist för arbetstagarna om arbetsgivarens konkursbo inte räcker till att köpa försäkringar som täcker hela pensionsutfästelsen. För det femte är det en mycket märklig argumentation att tryggandestiftelser måste anses vara tjänstepensionsinstitut för att "förmånstagarna" till en stiftelse skall vara lika skyddsvärda som om deras medel förvaltades i en tjänstepensionskassa. Som tidigare angetts har arbetsgivaren med balansföringslösning ett fritt val vad gäller inrättandet och avsättningar till en tryggandestiftelse. Den jämförelse som i stället är relevant är om tjänstepensionsberättigade får ett bättre skydd vid avsättning till tryggandestiftelse än utan avsättning. I det senare fallet är tjänstepensionsdirektivet inte tillämpligt. Den märkliga situation som kan uppstå är om en arbetsgivare väljer att sätta av 1 % av sina tjänstepensionsutfästelser till en tryggandestiftelse och redovisar resterande 99 % i balansräkningen under "avsatt till pensioner" så faller 1 % in under nu gällande tolkning av Tjänstepensionsdirektivet men inte resten. För det sjätte har den förflutna tillsynsperioden inte kunnat påvisa någon effektivisering av förvaltningen i något avseende. Tvärtom har administrativa pålagor lett till merarbete och kostnader som inte lett till något positivt i effektivitetshänseende. 4. Motion FI 25	

			När prop. 2004/05:165 togs upp av riksdagen ifrågasatte Moderata samlingspartiet i motion Fi25 (yrkande 1) regeringens bedömning i propositionen att tryggandestiftelser omfattades av direktivstexten enligt följande (kursivering tillagd). "Motionärerna anser att pensionsstiftelser inte själva tillhandahåller någon tjänstepension utan endast utgör en pant för arbetsgivarens pensionsåtaganden. Motionärerna anför att en pensionsstiftelse aldrig själv kan utfästa pension och följaktligen heller inte ansvarar för pensionsutfästelserna. Förmögenheten i en pensionsstiftelse kan i stället jämställas med en säkerhet eller en pant för arbetsgivarens pensionsutfästelse för det fall arbetsgivaren skulle komma på obestånd. I linje med detta är det också arbetsgivaren, och inte stiftelsen, som ansvarar för värderingen av pensionsåtagandena liksom för utbetalningen av pensionsförmånerna. I tjänstepensionsdirektivet definieras begreppet tjänstepensionsinstitut visserligen som ett institut som förvaltar fonderade medel utifrån syftet att tillhandahålla pensionsförmåner. Men denna exakta ordalydelse tillkom först efter juristlingvistgranskningen. Vid tidpunkten för regeringens samråd med EU-nämnden och rådets beslut var direktivets formulering sådan att den direkt förde tanken till att ett institut – för att omfattas av direktivet – självt måste betala ut förmånerna. Motionärerna hävdar därför att det finns skäl att undanta pensionsstiftelserna från att omfattas av tjänstepensionsdirektivet." 5. Finansutskottets svar på motion FI 25 Finansutskottet svarade på motion FI 25 enligt följande (kursivering tillagd).	

			“Som konstateras i såväl propositionen som motionen bär inte en pensionsstiftelse ansvar för något eget pensionsåtagande. Stiftelserna skiljer sig därför i ett grundläggande avseende från övriga svenska finansiella institut, dvs. tjänstepensionskassor och livförsäkringsbolagens tjänstepensionsverksamhet, som regeringens förslag ska tillämpas på. En pensionsstiftelse inrättas av en arbetsgivare för att trygga dennes åtagande gentemot sina anställda om tjänstepension. Stiftelsen är därför endast en pant (dvs. en säkerhet) för arbetsgivarens pensionslöfte i händelse av dennes obestånd. Detta innebär att ansvaret för att betala pensionsförmåner hela tiden vilar på arbetsgivaren, men att arbetsgivaren kan få gottgörelse ur stiftelseförmögenheten. Å andra sidan finns det anledning framhålla att stiftelserna är en säkerhet för arbetsgivarens pensionsutfästelse för det fall att arbetsgivaren kommer på obestånd. Deras medel är därmed öronmärkta för pensionsutbetalningar och kan inte användas för arbetsgivarens övriga skulder och berörs inte av arbetsgivarens obestånd. Mot den bakgrunden skulle det framstå som märkligt om pensionsstiftelserna undantogs och förmånstagarna därmed skulle anses mindre skyddsvärda än om pensionsmedlen i stället förvaltades för deras räkning i exempelvis en tjänstepensionskassa. Enligt utskottets mening kan således skäl anföras såväl för som mot att pensionsstiftelserna ska omfattas av lagstiftningen som motiveras av tjänstepensionsdirektivet. Av propositionen framgår att Sverige under rådsförhandlingarna av direktivet vid upprepade tillfällen förde diskussioner med EG-kommissionen om de svenska pensionsstiftelsernas särdrag och hur dessa förhåller sig till syftena med direktivet. Kommissionens första förslag till direktiv tolkades av de svenska	

			förhandlarna – enligt uppgift av Finansdepartementet – som att de svenska pensionsstiftelserna inte skulle omfattas. Det klargjordes då från kommissionens sida att avsikten var att även förvaltare av den typ som pensionsstiftelserna utgör ska omfattas av direktivet. Kommissionen förtydligade därför sitt förslag i denna del. Utskottet konstaterar således att direktivets definition av tjänstepensionsinstitut ska tolkas så att pensionsstiftelser ska omfattas av direktivet eftersom de ska förvalta medel utifrån syftet att tillhandahålla pensionsförmåner (jfr "for the purpose of providing retirement benefits"). Detta framgår av den slutliga och justerade svenska översättningen. (.....) Utskottets slutsats är sammanfattningsvis att det får anses klarlagt att enligt direktivets ordalydelse och syfte är pensionsstiftelser att anse som ett tjänstepensionsinstitut och ska därför omfattas av tjänstepensionsdirektivet. Med det anförda godtar utskottet regeringens bedömning och avstyrker motion Fi25 (m) yrkande 1." SPFAs kommentarer och tillrättalägganden Det är direkt felaktigt att påstå att medel är öronmärkta för pensionsutbetalningar eftersom de i inget fall kommer att användas för detta ändamål. Arbetstagarna är i inget fall beroende av utfallet av förvaltningen eller stiftelsens existens, förutom i de fåtal fall där kollektivavtalet eller pensionsplanen som sådan inte kräver kreditförsäkring (se ovan). Referensen till "förmånstagarna" (vår tolkning: arbetstagarna) visar att utskottet inte förstått att den enda förmånstagaren är arbetsgivaren, så länge denne är solvent, och i annat fall kreditförsäkraren, aldrig arbetstagarna direkt. Arbetstagarna är skyddsvärda och det skyddet står kreditförsäkraren för och i de fall kollektivavtalen inte kräver kreditförsäkring har parterna förmodligen	

			gjort en bedömning av risken för arbetsgivarens konkurs. Det är också felaktigt att påstå att stiftelseförmögenheten inte berörs av arbetsgivarens obestånd då stiftelsen i sådant fall ska upplösas och tillgångarna överföras till försäkringsgivaren (t.ex. Alecta). Däremot är det riktigt att konkursboet inte kan ta stiftelseförmögenheten i anspråk för betalning av arbetsgivarens skulder i den ordning som förmånsrättslagen anger. Som har framgått av SPFAs genomgång och kommentarer i detta dokument så har det förekommit ett antal felaktiga uppgifter och antaganden i förarbetena till den svenska lagstiftningen. Det kan därför inte uteslutas att kommissionen under de diskussioner som förekommit bibringats en felaktig uppfattning av hur de svenska tryggandestiftelserna är uppbyggda och fungerar. Eftersom kommissionens tolkning av tjänstepensionsdirektivet inte rimligen kan stå över direktivets ordalydelse (se ovan under 1.) är det av yttersta vikt att det görs en förnyad prövning av implementeringen av detta i svensk lagstiftning och att det klart uttalas att tryggandestiftelser inte kan anses vara tjänstepensionsinstitut. Eventuella missuppfattningar hos kommissionen kan då också undanröjas. Spontan allmänt hållen kommentar från Mercer som bör hållas i åtanke när de pågående ambitionerna från EIOPA om en EU-harmonisering av tjänstepensionsreglerna övervägs: “Det finns ingen systemrisk i företagens pensionsskulder. Det blir ingen kedjeeffekt om ett bolag går i konkurs. Att jämföras med om ett försäkringsbolag går i konkurs, då man kommer att få effekter inom en rad olika områden som dessutom är svåra att överblicka.”	

			Detta faktum synes utredare och teoretiker ha bortsett fullständigt ifrån. Upprättad i januari 2012 av: Benny Karlsson, Vattenfall Eric Lagerberg, Ericsson Ossie Everum, Ericsson	

			Appendix 1 Tyska CTA Följande beskrivning baseras på en artikel av John Hawkins och Diana Klauke, båda från Mercer, benämnd "The Contractual trust Arrangement". Artikeln kan ladddas ned från http://www.risk.net/life-and-pension-risk/technical-paper/1514744/the-contractual-trust-arrangement Tyska CTA etablerades första gången 1986 och i juni 2007 bedömdes 19 av 30 bolag på DAX30 ha etablerat CTA. Totalt bedömdes CTA:erna förvalta ett belopp på 88 miljarder EUR. 1. Etableringen av en CTA beslutas av arbetsgivaren och är helt frivillig. 2. Företaget gör en "icke reversibel" överföring av medel till en "trust". 3. Investeringarna görs enligt riktlinjer som fastställs av företaget. Dessa riktlinjer kan ändras. 4. Företaget kan indikera att ytterligare medel kan komma att överföras, men någon rätt för "trusten" att kalla på ytterligare medel finns inte. 5. Om marknadsvärdet på tillgångarna överstiger den pensionsskuld som "trusten" är uppsatt för kan företaget begära gottgörelse för havda	

			pensionskostnader. 6. En CTA är att se som en pant för ett specifikt åtagande och medlen i "trusten" är därvid skyddade vid företagets eventuella insolvens. Som framgår av ovanstående är likheterna slående mellan en tysk CTA och en svensk tryggandestiftelse. En betydande skillnad är dock en tysk CTA inte ansetts vara ett tjänstepensionsinstitut.	
97.	Tesco Plc	General Comment	Background to Tesco and our pension arrangements Tesco is one of the world's largest retailers, with operations in six EU member states – the UK, Republic of Ireland, Poland, Czech Republic, Slovakia and Hungary. We are a major contributor to the EU economy, with around 4,000 stores and over 375,000 employees across our markets. Our award-winning UK pension scheme (the Tesco PLC Pension Scheme) is one of the largest private sector defined benefit schemes that still remains open to new employees. We have around 170,000 employed members and over 290,000 participating members in total. We have no minimum hours or earnings restriction. This means thatevery Tesco employee can earn benefits in our scheme – no matter how low their earnings are. Almost 60% of our members are female. Over 90% of automatically	Noted. Resemblances with Solvency II follow from Commission's CfA EIOPA will reconsider HBS approach after the QIS

			enrolled staff choose to stay in the scheme and say it is a great way to save for the future. Our Tesco Ireland Pension Scheme also remains open to new employees - with around 3,000 employed members in total. Tesco Ireland is one of the few companies in Ireland to continue to offer a defined benefit pension to both new and existing employees. Given the financial significance of our UK defined benefit scheme we have chosen to focus our comments on the potential impact of a Solvency II-style regime on the UK. However, this does not in any way indicate that we believe this is a UK-specific issue. On the contrary, these proposals have significant implications for the wider EU economy and the adequacy of pension provision across all 27 member states. General Comments Tesco fundamentally opposes the application of a Solvency II-style funding regime to defined benefit schemes on principle, as set out in our response to EIOPA's Call for Advice in December 2011. While we support the Commission's objective to achieve adequate, sustainable and safe European pensions systems, we believe a Solvency II-style regime would do nothing to help achieve this goal. We urge the Commission to allow considerably more time for several thorough impact assessments, in order to fully address widely-held	

			concerns around the negative impact of the proposals on pension provision, employers and the EU 2020 growth agenda. A Solvency II-style regime would weaken – not strengthen – EU pension provision While the Commission's aim is to improve pension security, Solvency II-style rules would actually reduce adequacy of pension provision for future generations and discourage retirement saving. This is because Solvency II rules would require companies to invest more in respect of benefits that members have already built up - resulting in less money to spend on future pension provision. DB schemes would become too costly to run and as a result force companies to close such schemes to all members. Future pension provision would have to be provided by defined contribution (DC) schemes, where members undertake the risk instead of the employer, and companies would be forced to contribute less to these schemes given the higher costs imposed by Solvency II. In a worst case scenario, Solvency II-style proposals could force companies into insolvency. This would lead to job losses and put a strain on the State, as more people are likely to rely on the State in the absence of adequate occupational pensions. Not only does this undermine the Commission's original objective, but also the Flexicurity agenda, which aims to create more security for employees.	

			Solvency II rules would be disastrous for the EU economy Higher funding requirements would force businesses to divert money away from investment in growth, enterprise and job creation, undermining the EU's economic goals at a critical time. In practical terms, this may restrict Tesco's capital for store development, Regeneration Partnership schemes and jobs for the long-term unemployed. This may also lead to a loss of tax revenue for the State in the form of corporation and income taxes, and VAT. The proposals could also destabilise already volatile financial markets and drive capital out of the EU. Pension funds would be forced to shift to low-return investment strategies, choosing bonds over equities, which could significantly impact companies' share prices and their ability to raise capital in the markets. The current IORP Directive works well and respects subsidiarity Given the diversity of member states' pension arrangements, which are tied to national social and labour laws, it is not appropriate to impose a rigid funding regime for all. The UK system works very well and already provides a strong governance and funding framework, which has proven robust during the economic crisis. A number of different security mechanisms are already in place, including the Pension Protection Fund, the Pensions Regulator	

			and "debt on employer" regulations, which prevent an employer from abandoning a scheme if it is not fully funded. In many cases, assets set aside for pension benefits are also underpinned by contingent assets from the company to provide further security in the case of employer insolvency. A solvency regime for the insurance sector is inappropriate for pension funds We agree with the European Economic and Social Committee's opinion┐ that insurance companies and occupational schemes are not comparable, and therefore reject the idea that there should be a level playing field. Firstly, unlike insurance companies, workplace pension funds do not operate on a commercial basis - they are part of an employer's benefit package for staff. Secondly, Solvency II was specifically designed to address the short term volatility risks in the insurance sector. It would be wrong to apply the regime to pension funds, which are long-term in nature. Unlike in the insurance sector where once the premium has been collected there is no other funding to make up the shortfall, in pension funds employers and trustees regularly monitor the funding position of the fund and companies regularly pay in additional money when needed.	
98.	The European Centre of Employers and Enterprises p	General Comment	The European Centre of Employers and Enterprises providing Public services (CEEP) would like to thank EIOPA for giving the opportunity to present our views in its thorough consultation exercise. It is important to listen to the views of stakeholders, most notably the social partners, with regard to the planned revision of the IORP Directive and as such we	Noted. EIOPA agrees more QISs are needed

			welcome this opportunity. However, it needs to be stated that for such an important and technical exercise the time frame for submitting a response, i.e. six weeks, is extremely short under normal circumstances and even more so during summer months. Also, the level of detail in the consultation is well beyond the capabilities of many stakeholders and enterprises who sponsor pension funds. This will, in our view, raise questions on how good and trustworthy the outcomes of the Quantitative Impact Study (QIS) will be. We also question whether one QIS will be enough to provide all the relevant information needed ahead of the planned revision of the IORP Directive. Rather than going into the details of how the QIS should be operated, CEEP would like to make a number of general comments on the consultation and the planned revision of the IORP Directive itself: The 162-pages heavy consultation document is very technical and focuses strictly on quantitative aspects (i.e. pillar I of the solvency II framework) with respect to the concept of the Holistic Balance Sheet (HBS) and the capital requirements for IORPs. In particular the question of how to quantify and implement the security mechanisms of IORPs is tackled, as well as some risk categories are changed with respect to Solvency II. Apart from that, the structure of the technical specifications and the forthcoming QIS is identical to Solvency II (see 1.4.5. of the consultation document). This means that Solvency II has become the very blueprint for the IORP review, from the general Solvency II principles (market-consistency, risk-sensitivity) to the concrete calculation of the Solvency Capital	Resemblances with Solvency II follow from Commission's CfA Aim of HBS is to take into account differences between IORPs and insurers HBS is used for funding purposes, in line with Commission's objectives EIOPA will reconsider HBS approach after the QIS

			Requirements despite though the European Commission has stated that the rules for IORP's would not be just cut and paste from Solvency II. This is in our view most regrettable, even more so given the existing differences between pension funds and insurance providers. Pension schemes are fundamentally different from insurance products due to their long-term liabilities, the absence of competition between pension schemes, their generally not-for-profit nature, and because mechanisms exist to adjust contributions, indexation or benefits over time, if needed. Moreover, in contrast to insurance products, pension funds often have a collective character, e.g. they are supported by a collective agreement negotiated by employer and employee representatives or have the specific characteristic of an employer covenant. Often, they are even managed by the social partners themselves. Finally, pension funds tend to have a long-term investment horizon. Also, EIOPA's 23 Questions to stakeholders concentrate on the details of the QIS, but there seems to be no place to formulate more general criticisms concerning the overall direction of the IORP review. This mirrors the whole process of the IORP review till now. Additionally it seems EIOPA wants stakeholders to help finalizing the technical design of a large complex structure without saying how the structure will be used: it is still not clear what the intention of the HBS is and what will be done with the results of all this number-crunching. Is the HBS just for informational reason? Or will it trigger hard consequences in terms of capital requirements? On a more specific remark, CEEP wants to highlight our concerns	

			regarding the sheer amount of information being requested from schemes. This will be extremely onerous and costly and we cannot see how this would apply to multi-employer schemes where there might be hundreds of sponsoring employers. CEEP's preference is therefore to use data already supplied by schemes as part of their existing annual reporting process. Moreover, from a general point of view CEEP questions many of the arguments used in justifying the planned revision of the IORP Directive and adding capital requirements for pension funds. As stated above, pensions are fundamentally different from other financial products and it has to be stated that any 'one size fits all'-approach is not a realistic one. The target of promoting more cross-border activity does not come in time. The final implementation of the IORP directive was only accomplished in 2007. Therefore, it seems to be necessary to wait until the IORP-Directive has produced its full impact in practice before undertaking any new legislative initiatives. With respect to the demographic evolution in Europe, CEEP is convinced that IORP will be able to help solving future problems of state-run first pillar pension schemes. But this will only be possible if there are no additional and unnecessary burdens put on their shoulders. Badly timed additional solvency rules threaten to result in a major increase in funding costs for pension schemes and for employers, i.e. increasing costs but without improving security for members in the	

			schemes. The debate should not be about the requirement for more robust funding arrangements but the timing of action necessary to support such arrangements. Stricter funding requirements should be in place when funds are healthy and are tempted to run down surpluses. That should be the time when surpluses are protected to ensure the presence of a buffer when the cycle turns downwards.	
99.	The Goldsmiths' Company	General Comment	Recent changes to the regulation of DB pension schemes has greatly increased the complexity and cost of their provision. Whilst the Goldsmiths' Company scheme has now necessarily been closed to further accruals, it is still burdened by unnecessary expenditure (such as the Pension Protection Fund contribution) and the need to produce endless reports and strategies. The possibility of requiring pension funds to be funded like insurance companies, with the consequential financial and administrative burdens, fills me with horror. It is also surely highly pertinent that those institutions that employers consult on pension issues, such as Slaughter & May, think this is an astonishingly bad idea. Please think again and come up with something that eases the burden and costs on the employers thereby improving their ability to fund their schemes. Most employers have a responsible attitude to their obligations – it is those that do not who should be inconvenienced. R G Melly, Clerk/CEO	Noted.
100.	The Society of Pension Consultants	General Comment	SPC is the representative body in the UK for a wide range of providers of advice and services to work-based pension schemes and to their sponsors. SPC's Members' profile is a key strength and includes accounting firms, solicitors, insurance companies, investment houses, investment performance measurers, consultants and actuaries, independent trustees and external pension administrators.	Noted. There is not enough information at this stage to specify supervisory

			SPC is the only body to focus on the whole range of pension related services across the private pensions sector, and through such a wide spread of providers of advice and services. We do not represent any particular type of provision or any one interest - body or group. Many thousands of individuals and pension funds use the services of one or more of SPC's Members, including the overwhelming majority of the 500 largest UK pension funds. SPC's growing membership collectively employs some 15,000 people in the UK providing pension-related advice and services. The consultation paper has been considered by SPC's European Sub-Committee, which comprises representatives of actuaries and consultants, insurance companies, pension administrators and pension lawyers. ☐ SPC is ddisappointed that the consultation is so complex and conducted over too short a timescale for us to be able to make a more meaningful response. We fail to understand why an issue that is of such great importance is being rushed. We also note that EIOPA stated that it intends to review and reconsider its advice given in February 2012 in the light of the QIS. We see little scope for it being able to do so in the face of the Commission's complete lack of regard to the concerns often expressed by the social partners that too little time is allowed to consider all the issues fully. We are sorry to observe that this appears that DG MRKT is determined to press on with its proposal despite almost	responses Fixed inflation assumptions have been replaced by market-implied rates and salary growth assumption can be IORP specific EIOPA agrees more QISs are needed EIOPA will reconsider HBS approach after the QIS

			universal concern that this is to the potential cost of millions of EU citizens ☐ In light of the above, we feel it highly unlikely that many individual IORPs will be able to respond. Many IORPs are small in size and lack the resources either to respond or to bear the additional cost of calculations of this nature. This raises the concern that this is not a genuine consultation. We know that senior management within insurance companies have struggled with the detail of Solvency II; still less able are IORPs to deal with the content of the consultation and therefore the QIS itself ☐ On the one hand, many IORPs are likely to be grateful that the UK Regulator intends to carry out the QIS based on aggregate data it holds, rather than placing the burden on IORPs. However, this raises several important points: 1. There is a risk that the aggregate position is not representative of the effect in individual IORPs 2. The fact that this is necessary is evidence that a regulatory system built on these proposals will not be workable in practice (if IORPs cannot carry out the QIS themselves, why should they be any better placed to implement a risk-based supervisory/solvency regime built on that QIS?) 3. How will the cost of adopting a new regime be assessed? It is evident that some of the approaches (such as the method of assessing best estimate cash flows) and some of the data (eg look through to underlying assets) will be difficult for many IORPs – it is unclear how this cost can be captured by a supervisory authority's aggregate assessment. Without knowing this, how can an accurate impact assessment be made? We consider that there is a significant risk that implementation costs will be underestimated	

			☐ If (as an alternative) IORPs are provided with 'tools' to assist them in calculating the complex numbers, it seems self-evident that such a 'black box' approach does not aid in the transparency and management of risks by those operating IORPs ☐ There are some yawning gaps – acknowledged by EIOPA both in this QIS consultation and in its advice in February 2012. Most notable is the absence of any reference to the regulatory intervention in the event that the Holistic Balance Sheet is considered not to balance ☐ Despite assurances from Commissioner Barnier at the 1 March 2012 public hearing, a great deal of the technical specification is 'cut and paste' from the Solvency II measures ☐ The regime for Solvency II was developed over a matter of years and informed by successive QISs – starting at a basic 'range-finding' level and building to the detail covered in QIS5 ☐ Where new 'aspects' (not previously explored in the Solvency II project) have been introduced, it is evident that far too little thought has been given to their relevance and the proposed method of taking them into account – for example the inflation and salary assumptions. For IORP-specific elements at least, a series of iterative QISs should be undertaken ☐ Some specifics stick out as having not been thought through in sufficient detail. For example, we believe that EIOPA should consider the following areas in order to ensure that the QIS results are meaningful 1. Inflation assumption; if EIOPA expects IORPs to carry out stochastic projections, then the assumptions should be market consistent. While 2% pa may be a reasonable simplification for the Eurozone (as at 31 December 2011), the UK requires two inflation assumptions – one for CPI and one for RPI. For example, as at the same	

			date we consider that 3% pa would be a more reasonable assumption for RPI 2. Salary increase assumptions; our view is that IORPs should be permitted to select an assumption that is appropriate to the membership. Expectations about future earnings increases can vary considerably from one IORP to another. Moreover, in some IORPs limits apply to the level of future earnings increases that can be taken into account 3. Expected return on investments; we note that the expected return on non-fixed income assets is 5.98%; ie an average risk premium of 3% above the AAA Government bond yield of 2.98%, regardless of what the IORP invests in. By contrast, for bond investments four different rates are specified for assessing the expected return on the bond portfolio. We urge EIOPA to consider further how to take account of LDI strategies and the various interest rate/longevity/inflation swaps that are increasingly prevalent in IORP portfolios. In our view, there should be 'positive' recognition of such de-risking strategies ☐ We question the relevance of a SCR for UK IORPs at all. Most UK defined benefit IORPs are 'closed' to new members and many closed to new accrual. Sponsors are currently seeking to make contributions as quickly as is reasonably affordable, with a view to being able to buy out all remaining liabilities through an insurer as soon as possible. Whilst on this 'journey to settlement' the SCR would appear to have no value (it adds no greater security for members than is already afforded by the sponsor support) and is a complicated and expensive set of values to calculate ☐ We see no likelihood that the revised solvency regime will lead to a proliferation of cross-border arrangements (one of the Commission's stated aims of the review). We believe that the onus is on the Commission to demonstrate that there is both a desire for such plans and	

			that these proposals will facilitate delivery of them ☐ It is evident from the discussions with sponsors of IORPs that the Commission’s proposals will do nothing to promote the provision of defined benefit pensions. Quite the contrary, we know that this will further accelerate the shift from defined benefit to defined contribution offerings. Sponsors have finite resources. Where these are diverted to further bolster the existing security of defined benefit liabilities (for generally older employees and ex-employees), it follows that less is available to provide for the adequate retirement provision of younger and future generations of EU citizens. We see no evidence of systemic failures in existing Member States’ pension systems (something that we believe has been tacitly acknowledged by DG MARKT); the proposals appear to be EU-wide harmonisation for harmonisation’s sake. Worse, the real and significant cost associated with the upheaval will remove funds from EU citizens’ retirement provision	
101.	Towers Watson B.V.	General Comment	We appreciate the Commission’s intentions to set up a framework for enhancing adequate, safe and sustainable pensions in Europe , and feel that the Holistic Balance Sheet Approach could be a step towards that purpose. However, we think the concept should not be overly complex. We are surprised and disappointed by the level of complexity and rigidity of the QIS technical specifications. A revised IORP Directive should not discourage employers from offering pension provisions that are more secure for members (which is not to say that a revised IORP Directive should allow employers to offer pension provisions that are only seemingly secure for members). It seems that the technical specifications focus primarily on the safety of pension provisions, without paying due attention to adequacy and sustainability.	Noted. There is not enough information at this stage to specify supervisory responses Some areas of technical specifications have been simplified,

			A revised IORP Directive must not be overly stringent on countries with efficient pension systems, but rather it should stimulate countries with no or less mature systems to improve their pension provisions. For mature systems, significant changes in regulation are likely to cause significant redistributions between shareholders. The Commission should be aware of this, and should consider transitional regimes where applicable. Our company's letter to the Commission of June 11, 2012 gives an idea for a more pragmatic route to a more pragmatic Holistic Balance Sheet Approach. Our recommended approach would allow EIOPA first to gain significant experience with the diversity of pension arrangements in the European Union before imposing a regime that appears to us to be inappropriate for the objectives set. It is our impression that the timescale for the consultation, as well as for the QIS itself and the processing of the findings of the QIS resulting in the revised IORP Directive, is unrealistic. We regret that the consultation period (for a single QIS that is in fact more condensed than any of the five for insurers) has been contracted by 50%. The contents of the consultation seem to indicate that the timescale for writing the draft specification has also been restricted. Elements taken from Solvency 2 are very (and at times perhaps unnecessarily) detailed, whereas elements that are brought in specifically for the IORP Directive are relatively generic. The confidence level is one (important) element that has been taken directly from Solvency 2. A level lower than 99,5% may well be more appropriate for IORPs, and we welcome the fact that the impact of other	sponsor support section will be further developed Derivation of lower confidence levels is added

			confidence levels will also be reported. In responding to the consultation, we would have appreciated some more detail on the method to be developed by EIOPA to reflect the lower confidence levels. We expect this detail will be provided in the QIS. The current consultation gives no insight into regulatory consequences of the IORP Directive. For example, it does not indicate what happens if a balance sheet proves to be inbalanced. Nor does it say anything on financing and contribution requirements. Although regulatory consequences may be out of scope for the current consultation and the QIS itself, we feel that it is difficult if at all possible for shareholders to judge what the impact of the IORP Directive will be without these specifications, such as recovery periods. On a more technical level – future financing as well as (other) regulatory consequences may influence 'non-unconditional' elements in a plan, such as in the Dutch situation the future indexation of accrued benefits, as well as the possible reduction of the same benefits.	
102.	Towers Watson GmbH, Germany	General Comment	We believe that the consultation has a number of fundamental weaknesses that we believe should be mentioned before going into "technical detail": 1. The European Commission has rightly put the quest for a framework for enhancing adequate, safe and sustainable pensions in Europe on its agenda. We feel that the unflinching drive towards a Solvency II-based regime for IORPs may come closer to achieving one of these targets (safety), albeit to the detriment of the other two (adequacy and sustainability).	Noted. There is not enough information at this stage to specify supervisory responses EIOPA will reconsider HBS

			2. No reason is given for the excessive haste that EIOPA is demonstrating by deciding to contract the normal three month consultation period by 50%. The only reason given, namely the "imposition of an external timetable", does not really sound sufficiently convincing. Bearing in mind the significance of the exercise for both beneficiaries and employers, the time allowed for comment is bafflingly short. The self-imposed timeframe has led to "slips of the pen" on the part of EIOPA: for example, it appears that references to subsections in QIS5 for Solvency II were copied into the IORP document where they are meaningless – for example, in SCR 5.82, reference is made to subsection V.1 which only exists in QIS 5. 3. However well-intentioned the objectives of EIOPA and the Commission are, we believe that the wider economic effects of the actions being planned are not being exposed to sufficient scrutiny. For example, it is a well-known fact that most employers have restructured their defined benefit (DB) plans in the last two decades into defined contribution (DC) or contribution-based (C-B) plans that grant, in general, less generous benefit levels than those promises made in the 1960s through to the 1980s. Most DB plans are thus in the run-down phase right now, so that the solvency requirements being proposed are "benefiting" a generation that has been granted higher levels of benefits than the following generation. Are the proposals being made not skewing this intergenerational imbalance even more? 4. We see our scepticism - as expressed in our first submission to the Commission's Call for Advice – confirmed, namely that both the Commission and EIOPA are not taking due account of the differences between insurers and IORPS. These were fivefold: a. Business model b. Ownership structure	approach after the QIS

			c. Legal framework in respect of the underlying contracts d. Diversity in size of operation, benefits granted and environments in which they operate e. Risk profiles An example in connection with (a) above might make some concepts in the pensions' industry clearer: In many cases (in Germany this is always the case) the pension promise - or informal practice that turns into a constructive obligation – is an obligation that is legally required to be fulfilled by the employer. Legally therefore, the obligation is subject to labour law and not commercial contract or insurance law; the IORP only acts as an agent of the sponsor in fulfilling his obligation. The obligation itself is not thereby fully discharged to the agent. The role of the IORP therefore is not to be a player in the pension product market. Attempting to achieve a level playing field between IORPs and insurers is therefore futile, because (to stay in the analogy) the two are playing different games on different fields. The question to ask is whether it is politically desirable to give up one game in favour of the other, thereby forcing a single game on a single playing field. 5. There are a number of difficult questions that require answering in respect of the characterisation of an IORP's benefits into "unconditional", "pure conditional", pure "discretionary" and "mixed" benefits. The rushed answers that can be expected to be given to these questions may turn out to be very different under thorough scrutiny. 6. We do not believe that it is fair on those IORPs participating in this consultation to provide answers to complex questions when the regulatory regime as such has not been presented in its entirety. For example, we understand that there is no mention of what measures are	

			to apply if an IORP has insufficient capital when analysed by means of the HBS. 7. We believe that it is obvious that the additional cost of providing the information required will be significant in comparison with the benefit expected. We believe that this cost-benefit analysis can be made before actually incurring the additional cost. 8. We believe that the consultation document would be significantly enhanced if it would include examples so that respondents have more than a theoretical and abstract concept to comment on. 9. The calculations being required by EIOPA are no doubt complex. In fact, they appear to be more complex than those required for insurers, since the IORP requirements are those surrounding the Holistic Balance Sheet in addition to (largely) those required under Solvency II. We consider that our letter of 11th June 2012 to Commissioner Barnier outlining a proposal for a new regulatory framework is more feasible to implement because it is less costly and more efficient in developing a common approach to regulation in Europe. Although we respond below to the detailed questions, this is from a 'technical' perspective and should not be construed as being in agreement with the overall thrust of the consultation.	
103.	Towers Watson UK	General Comment	We recognise that the future health of the European financial system depends critically on EIOPA as an independent expert adviser to the Commission and so we welcome the opportunity to help the development of this key document. It is therefore with regret that we conclude that	Noted. EIOPA agrees more QISs are

			the technical specifications to be fundamentally flawed in a number of areas. In particular: ☐ UK IORPs can raise additional capital only from the sponsor (and members). Carrying out the complex and costly calculation of an SCR does nothing to increase members' benefit security ☐ The proposals might actually deter employers from strengthening the security of benefit rights – additional payments can increase an apparent HBS deficit ☐ Much more work is required on many elements of the QIS, particularly (but not exclusively) the security mechanism sections; in our view, a series of QIS's is needed More than that, having carried out some 'real life' modelling on some UK client IORPs, we conclude that the proposed framework itself is also flawed – producing, in several instances, perverse results. We are also surprised and disappointed by the complexity and rigidity of the QIS technical specification, which falls far short of including the "appropriate changes to reflect the nature of IORPs" that the Commission had led us to expect. Whilst we welcome the decision to consult, we also regret that, once again, the timescale for consulting is unrealistically short given the importance and complexity of the subject . The reason given in section I.1.10 for contracting the normal three month consultation period by 50% (the "imposition of an external timetable") seems unsatisfactory given the extent of the potential repercussions from these measures. We believe that neither the Commission nor EIOPA have made the case for such urgency. We would have expected and would urge EIOPA to be forthright in promoting the importance of 'getting it right' rather than	needed There is not enough information at this stage to specify supervisory responses and proportionality rules Some areas of technical specifications have been simplified, sponsor support section will be further developed IORPs do not have to calculate risk modules that are not material EIOPA will reconsider HBS approach after the QIS

			trying to adhere to a pre-conceived agenda. We are very concerned that the scope of the QIS consultation, in its focus on the technical construction of the HBS, gives insufficient weight to the hugely important issue of the supervisory regime surrounding the proposed requirements. This regime is absolutely critical, because it will determine the impact on IORPs and their sponsors, and hence also on jobs, investment behaviours, systemic risk and the impact on future pension provision and national budgets. No quantitative impact assessment can be complete without substantial work in this area, including a consultation. Section I.6.2 indicates that IORPs will be able to complete a qualitative questionnaire as part of the QIS but we understand this might not be possible (directly) for UK IORPs as the UK supervisor will be making an aggregate response to the QIS on their behalf. In any event, IORPs cannot be expected to articulate their own responses to the new requirements until they know the regulatory regime that will surround it. As a further general point, we feel very strongly that the approach reflected in the QIS consultation is inconsistent with the situation in which the UK occupational pension sector finds itself. Pension provision, and defined benefit (“DB”) occupational pension provision in particular, is in serious decline in the UK and this decline is highly likely to have dire economic and social consequences in the decades ahead. There are very few employers that offer DB pension accrual, and even fewer that wish to do so. Most DB liabilities are ‘legacy’ in nature in that they relate mainly to past periods of employment and members who have no current relationship to the sponsor. We are concerned that a sense of the balance between protecting the accrued rights of past generations of employees and providing the environment that encourages greater pension provision for the current and future generations of employees may have been lost. However well-intentioned, the imposition of a more	

			onerous solvency regime for IORPs risks making this situation worse. The result will be to exacerbate the inter-generational inequalities that are already emerging in pension provision and to raise the risk of adverse economic and social outcomes. At a more detailed level, having carried out some modelling based on the QIS technical specification, we consider that even the deterministic calculations are far too complex for all but the largest IORPs (and possibly just a few of these - even in those Member States where supplementary, pillar 2, occupational pensions represent a significant proportion of overall retirement provision). Assessing a QIS-style exercise based on the consultation document has been challenging within the short consultation period and we had to make a number of assumptions. In part this is due to the wide range of proposals that are still under consideration. However, there is also ambiguity within the calculation methodology and there are also some errors. As an overall assessment, we believe that the QIS is trying to consider too many options and in too much detail. We believe that a staged approach to the QIS should instead be adopted with a first stage designed to reduce the number of options under consideration, for which a much less detailed (and less onerous) consultation would be appropriate. A subsequent, detailed consultation could then focus on a narrower range of proposals. This was the approach adopted for the Solvency II project - an approach that helped to identify major issues largely unforeseen at outset in the development and implementation of Solvency II for insurers. Notwithstanding the imposed timescale, we believe it is essential to follow a similar process for IORPs, so that all issues can be addressed prior to implementation rather than cleaning up the mess afterwards. We cite the SCR as a particular example of an area of the proposals that does not recognise the current situation of UK IORPs. The majority of UK	

			IORPs are 'closed' to new entrants and 'on a journey' to settlement – through the final discharge of their remaining liabilities by buying out with one or more insurers. Unlike insurance companies, UK IORPs do not exist to transact business for profit. As soon as they reach the level of funding at which they could pass their liabilities to the insurance market, they will do so. Sponsors are, in general, funding the shortfalls in their pension plans as quickly as they can reasonably afford. We question, therefore, whether the SCR has more than a theoretical relevance and therefore whether producing the figures required to construct it would be cost-effective. As mentioned above, we note the absence of any suggestion as to the regulatory response in the event that the HBS does not balance. Although paragraph I 3.2 states that "it is not the scope or mandate of the QIS to consider the wider implications of this approach to determining funding obligations", we consider this to be key to assessing the "Impact" of the "Quantitative Impact Study". If the regime leads, whether directly or indirectly, to an increase in contributions to IORPs, there are certain cases where this could cause significant problems for members. In the UK, some IORPs are set up on a 'shared cost' basis. Within such arrangements the cost of funding benefits is shared between the employer(s) and members, either informally or with the 'split' enshrined in the IORPs' constituting documents. It follows that an increase in contributions in these arrangements will directly affect members. For some, in the current economic climate, this is likely to encourage them to cease membership altogether or, where the IORP's provisions permit, opt for a lower level of benefits. This would be a retrograde step. In carrying out QIS calculations for some UK IORPs, we have observed that the area of the SCR has given rise to some results that seem particularly questionable.	

			It should not be inferred from the technical points that we make about the SCR that we support its application; we are opposed to its use	
104.	Trades Union Congress (TUC)	General Comment	The Trades Union Congress (TUC) represents 55 trade unions and more than six million members working in a wide range of organisations, sectors and occupations. The TUC is also a member of the European Trades Union Congress (ETUC). The TUC supports high-quality pension schemes and we believe that everyone should retire with an adequate and secure pension. We welcome the opportunity to comment on this consultation. There is a broad consensus among the UK's social partners about the adverse impact the proposals to revise the Institutions for Occupational Retirement Provision (IORP) Directive could have on the EU economy and UK's occupational pension schemes. Given the shared views among UK stakeholders this response does not go into technical detail. Rather, we outline our principled opposition to the proposed IORP Directive. We will also, however, note several areas of concern where we believe that the 'holistic balance sheet' approach tested by the QIS compounds problems identified in our response to EIOPA's previous consultation on its advice to the European Commission on the review of the IORP Directive. We would like also like to express our disappointment about the brevity of the consultation period, given the nature of the consultation and significant length of the consultation document. Our specific concerns include:	Noted. Solvency II based approach follows from Commission's CfA EIOPA will reconsider HBS approach after the QIS

			o Lack of proportionality. The UK and the Netherlands account for 85 per cent of defined benefit liabilities within the European Union, yet the technical specifications are designed to accommodate a wide range of pension system arrangements. We do not believe it is appropriate for the European Commission or EIOPA to prescribe valuation arrangements and solvency capital requirements for UK pension funds. o Insufficient internal market rationale. At present there are only 84 cross-border IORPs, of around 140,000 IORPs in the EU. There remains a lack of evidence that revising the IORPs Directive would alter this situation. We believe that the lack of cross-border IORPs is in fact due to a lack of demand, and the different pension systems and tax regimes that exist in Member States. o Difference between insurance and pension funds. A solvency regime similar to that required by financial services companies providing insurance schemes is not the same as that required by defined benefit pension schemes that have long-term predictable liabilities and are backed by a participating employer. We believe the application of a harmonised Solvency II-derived regulatory framework to funded occupational pension schemes is both undeliverable and undesirable. o Impact on schemes and members. The method(s) outlined by EIOPA for valuing technical provisions could place greater pressure on schemes by significantly and arbitrarily over-valuing scheme liabilities and under-valuing security arrangements. This could lead to a high level	

			of scheme closures, therefore resulting in fewer benefits for scheme members and undermining retirement provision. We do not believe that revising the IORP Directive is in the interests of occupational pension scheme members. o Economic impact. We are also concerned about the adverse impact a revised IORP Directive could have on the EU economy. Given the current European economic situation, the potential impact of a revised IORP Directive could be particularly unwelcome. De-risking of investment portfolios, as pension schemes move from equities to risk-free investments, could negatively impact on investment, destabilise capital markets and ultimately affect economic growth. o Holistic balance sheet. We find it impossible to have confidence in the complex method(s) outlined for including sponsor support and pension protection schemes as scheme assets. The holistic balance sheet fails to capture the unique nature of the UK pension system and security arrangements. In fact, although our main concern is the over-valuation of scheme liabilities, given the arbitrary flexibility in the proposed QIS methodology for valuing sponsor support and pension protection schemes, it is possible that scheme deficits will be under-valued as a result of this exercise. The risk of pseudo security is significant, potentially undermining efforts by the government, regulators and trade unions in the UK to ensure adequate protection for members. The over-reliance on modelling assumptions for many aspects of the valuation means that the reliability of outcomes could be questionable. The reliance of calculations on credit ratings of sponsors and investments is also inappropriate and at odds with the development of regulatory practice in other areas.	

			o Administrative burden. Whatever the method chosen for valuing technical provisions and the solvency capital requirements, we believe there is a significant likelihood that the results of the QIS will be largely meaningless for assessing the underlying funding status of occupational pension schemes in the UK. As such the QIS and subsequent valuations based on the proposed Directive will represent a significant and unnecessary administrative burden for schemes. Furthermore, given that fully participating in this exercise will be very expensive for the majority of IORPs, those that participate will be a biased sample of large pension plans, i.e. those that can more easily absorb the costs.	
105.	UK Association of Pension Lawyers of the United Ki	General Comment	This document sets out the comments of the UK Association of Pension Lawyers of the United Kingdom (the "APL") on the EIOPA call to comments on CP 003/2012 – Draft Technical Specifications for the QIS of EIOPA's Advice on the Review of the IORP Directive. The APL represents members of the UK legal profession with a particular interest in pensions. Currently it has over 1100 members. Our members include most, if not all, of the leading practitioners in the UK in this field. This response is submitted by the International Sub-Committee of the APL. We think it is more appropriate for actuarial/covenant organisations to comment on the detail of the consultation. However, we are concerned that the consultation does not contain any details as to how EIOPA intends to use the information. Whilst the respondents can suggest methods and assumptions, it is difficult to know the range to suggest without knowing what the assumptions are going to be used for (i.e.what impact varying a certain assumption will make). We would also say that the level of work and detail involved in	Noted.

			participating in the proposed impact assessment looks to be very high (these are not calculations that are routinely carried out by occupational pension schemes or their sponsoring employers). There is therefore a significant risk that it will not lead to representative results.	
106.	Universities Superannuation Scheme Limited	General Comment	This response is from Universities Superannuation Scheme Limited (USS Limited), which is the corporate trustee of one of the largest private sector pension funds in the United Kingdom with assets of over £32 billion. The company was established in 1974 to manage and provide trusteeship to the principal pension scheme for academic and senior administrative staff in UK universities and other higher education and research institutions. Today, USS is the pension scheme provided by more than 380 UK higher education institutions, with a total scheme membership of 287,500 and growing, with over 140,000 of those members actively contributing. Firstly, the six-week consultation period for this draft specification is completely inadequate for careful consideration of the complex issues raised. It does not allow stakeholders to give this careful consideration nor to get detailed input from technical experts. Whilst USS Limited acknowledges that there may be some benefits in developing and enhancing the IORP Directive's provisions in relation to governance and communications, and the company would be content to support further work in these areas, the company is categorically opposed to the EC's proposed approach to pension scheme funding, which draws heavily on Pillar I of the Solvency II Directive.	Noted. EIOPA will reconsider HBS approach after the QIS

			We do not believe that any case has been made by the EC for changes to the IORP directive, and whilst the company is content to provide its responses to the questions raised in this consultation on the QIS specification, it wishes to make it clear that this should not be taken to assume acceptance – in any way whatsoever – of the proposals for revised funding rules, for the Holistic Balance Sheet principle, or for the requirements for solvency capital requirements. The EC argues that a new IORP Directive would help to promote the development of cross-border pension schemes. In the company's view there is little or no demand for such schemes, and certainly not on a defined benefit basis. The different tax regimes of member states remain a fundamental obstacle to cross-border provision. In any event, with the proposals put forward the consequences of achieving the objective of greater numbers of cross-border pension schemes would be terminal damage to thousands of defined benefit pension schemes in the UK and elsewhere across Europe. We know that the National Association of Pension Funds here in the UK has undertaken research which shows that just one element of the Holistic Balance Sheet – the shift to using a risk-free discount rate in calculating the 'Level A' measure of liabilities – would increase the liabilities of defined benefit pension schemes on average by 27%. This would equate to a €330 billion increase in scheme funding requirements. Our own calculations for USS reveal a very significant increase in funding just as a result of a shift to a risk-free measure of liabilities, of the order of €11.5 billion, not to mention the addition of solvency capital	

			requirements (and regardless of the benefits, or otherwise, of the holistic balance sheet approach). We continue to believe that the economic effects of a solvency II-style approach would be disastrous for UK employers and for the UK economy generally – and indeed for many other EU states that would be subject to these arrangements – and would damage irreparably any hope of economic recovery within the EU. It would also destroy pillar II pension provision, thereby piling further pressure on pillar I arrangements across many EU states when governments are in no position to further support them. The responses below set out the company's specific comments on the questions raised, however it is clear that (i) this specification is predominantly a "copy and paste" from the QIS for insurers and that (ii) further QIS exercises would be necessary in order to carry out a meaningful quantitative study for IORPs, particularly of the type found in the UK. We hope that EIOPA will demonstrate its independence by providing very clear, specific responses to the EC which spell out the disastrous consequences of a revised IORP of the type set out in the QIS.	
107.	UVB Vereinigung der Unternehmensverbände in Berlin	General Comment	Despite the serious reservations expressed by all Member States concerned as well as national and European social partners, the planned quantitative impact study (QIS) also shows that the considerations of EIOPA and the Commission continue to be based on capital requirements	Noted. Resemblances with Solvency II follow from

			for insurance companies (Solvency II). With regard to our fundamental criticism of the application of Solvency II to institutions for occupational retirement provision (IORP), we refer to the input for the EIOPA consultation on EIOPA's draft response to the Commission's call for advice of the Bundesvereinigung der Deutschen Arbeitgeberverbände (BDA) dated 2 January 2012. The proposed specifications demonstrate very clearly that this criticism is justified. Even if we formulate a position on details of this draft, we maintain our fundamental criticism. The draft for the QIS technical specifications confirms that the considerations not only of the European Commission but also of EIOPA amount to a full harmonisation of the planned supervision regime for IORP. Yet a fundamental discussion on whether such full harmonisation designed for insurance companies is necessary or could potentially be harmful has not even been announced let alone concluded. A tailor-made European supervision regime for occupational retirement provision oriented primarily on minimum standards and the principle of subsidiarity is clearly more appropriate for coming to grips with the specific characteristics of occupational retirement provision. The scale and complexity of the proposed QIS specifications demonstrate how serious the effects of applying Solvency II capital requirements to IORP would be. Setting aside the possible quantitative impact, IORP and the companies they serve would be burdened with considerable bureaucracy. It is clear that IORP would have to hold more capital as a result of risk-based capital requirements. The holistic balance sheet approach (HBS approach) proves to be poorly suited to taking adequate account of the specific characteristics of occupational retirement provision and in particular to preventing additional burdens.	Commission's CfA EIOPA will reconsider HBS approach after the QIS

			The proposed technical specifications are heavily inspired from the Solvency II framework for insurance companies, even though the Commission had said the rules for IORPs would not be just copied and pasted from Solvency II. We regret this back-tracking. The level of detail and complexity of the QIS is beyond the capabilities of most sponsoring companies and their IORPs. This might make sense in the insurance sector where the relevant expertise is available. This appears to show a desire to borrow from insurance industry regulations and apply them to occupational pensions. Accordingly the technical specifications are designed in such a way that sponsoring companies will have difficulties to answer or will not be able to comment properly. If that what is shimmering through this QIS concept becomes the blueprint for a new supervisory regime under the new IORP II Directive there is a significant risk to undermine the future motivation of sponsoring employers in the MS to set up and to use IORPs in future. The revision of the IORP Directive – and especially this consultation - is a very technical exercise. It is important to realise that the technicalities are very important, but they should be subordinate to the overall long term goals of the European Pension Policy. First comments of big European companies who sponsor their own pension funds as HR vehicles indicate that this exercise and its complexity is well beyond their capabilities. A new IORP Directive should not provide an incentive to scale back second pillar pension provision or to move the pensions outside the scope of the IORP Directive (moving back to first pillar pensions, shift to book reserves or individual defined contribution	

			schemes). This is undesirable, given the fact that only 40% of the European employees is currently participating in a supplementary pension scheme and given the need of more supplementary pensions in Europe (see also EC White Paper on Pensions). Excessive supervision of the second pillar IORPs will increase the pressure on the first pillar, which is according to the Commission already under stress in many countries. The representativeness of the QIS is insufficient for an IORP II proposal by the EC (see question 1). Furthermore, in some of the eight participating Member States the QIS will not be performed by IORPs, but by supervisory authorities which are using aggregate data (or it is done by actuarial firms on behalf of the supervisory authority). However, it is our opinion that EIOPA and the Commission can only have a good indication of the real impact when the QIS will be performed by IORPs (instead of hypothetical schemes). The use of aggregated data makes the comparison between funds and countries meaningless and it will be very hard for EIOPA to have an adequate overview of the sensitivity to the assumptions. The time-schedule is too tight. Supervisors and the pension sector have very limited experience with the concept and the valuation of the holistic balance sheet. When stakeholders have more time to react on the technical standards, this certainly will improve the quality of the response and so the final technical standards. We do not see the added value of shortening the consultation period due to the imposition of an external timetable (I.10.1). The advantage of a better response and so better technical standard will definitely outweigh the benefit of a faster determination of the technical standards.	

108.	vbw – Vereinigung der Bayerischen Wirtschaft e. V.	General Comment	Despite the serious reservations expressed by all Member States concerned as well as national and European social partners, the planned quantitative impact study (QIS) also shows that the considerations of EIOPA and the Commission continue to be based on capital requirements for insurance companies (Solvency II). With regard to our fundamental criticism of the application of Solvency II to institutions for occupational retirement provision (IORP), we refer to the input for the EIOPA consultation on EIOPA's draft response to the Commission's call for advice of the Bundesvereinigung der Deutschen Arbeitgeberverbände (BDA) dated 2 January 2012. The proposed specifications demonstrate very clearly that this criticism is justified. Even if we formulate a position on details of this draft, we maintain our fundamental criticism. The draft for the QIS technical specifications confirms that the considerations not only of the European Commission but also of EIOPA amount to a full harmonisation of the planned supervision regime for IORP. Yet a fundamental discussion on whether such full harmonisation designed for insurance companies is necessary or could potentially be harmful has not even been announced let alone concluded. A tailor-made European supervision regime for occupational retirement provision oriented primarily on minimum standards and the principle of subsidiarity is clearly more appropriate for coming to grips with the specific characteristics of occupational retirement provision. The scale and complexity of the proposed QIS specifications demonstrate how serious the effects of applying Solvency II capital requirements to IORP would be. Setting aside the possible quantitative impact, IORP and	Noted. Resemblances with Solvency II follow from Commission's CfA EIOPA will reconsider HBS approach after the QIS

			the companies they serve would be burdened with considerable bureaucracy. It is clear that IORP would have to hold more capital as a result of risk-based capital requirements. The holistic balance sheet approach (HBS approach) proves to be poorly suited to taking adequate account of the specific characteristics of occupational retirement provision and in particular to preventing additional burdens. ___________________________ The proposed technical specifications are heavily inspired from the Solvency II framework for insurance companies, even though the Commission had said the rules for IORPs would not be just copied and pasted from Solvency II. We regret this back-tracking. The level of detail and complexity of the QIS is beyond the capabilities of most sponsoring companies and their IORPs. This might make sense in the insurance sector where the relevant expertise is available. This appears to show a desire to borrow from insurance industry regulations and apply them to occupational pensions. Accordingly the technical specifications are designed in such a way that sponsoring companies will have difficulties to answer or will not be able to comment properly. If that what is shimmering through this QIS concept becomes the blueprint for a new supervisory regime under the new IORP II Directive there is a significant risk to undermine the future motivation of sponsoring employers in the MS to set up and to use IORPs in future. The revision of the IORP Directive – and especially this consultation - is a very technical exercise. It is important to realise that the technicalities are very important, but they should be subordinate to the overall long term goals of the European Pension Policy. First comments of big	

			European companies who sponsor their own pension funds as HR vehicles indicate that this exercise and its complexity is well beyond their capabilities. A new IORP Directive should not provide an incentive to scale back second pillar pension provision or to move the pensions outside the scope of the IORP Directive (moving back to first pillar pensions, shift to book reserves or individual defined contribution schemes). This is undesirable, given the fact that only 40% of the European employees is currently participating in a supplementary pension scheme and given the need of more supplementary pensions in Europe (see also EC White Paper on Pensions). Excessive supervision of the second pillar IORPs will increase the pressure on the first pillar, which is according to the Commission already under stress in many countries. The representativeness of the QIS is insufficient for an IORP II proposal by the EC (see question 1). Furthermore, in some of the eight participating Member States the QIS will not be performed by IORPs, but by supervisory authorities which are using aggregate data (or it is done by actuarial firms on behalf of the supervisory authority). However, it is our opinion that EIOPA and the Commission can only have a good indication of the real impact when the QIS will be performed by IORPs (instead of hypothetical schemes). The use of aggregated data makes the comparison between funds and countries meaningless and it will be very hard for EIOPA to have an adequate overview of the sensitivity to the assumptions. The time-schedule is too tight. Supervisors and the pension sector have very limited experience with the concept and the valuation of the holistic balance sheet. When stakeholders have more time to react on the technical standards, this certainly will improve the quality of the	

			response and so the final technical standards. We do not see the added value of shortening the consultation period due to the imposition of an external timetable (I.10.1). The advantage of a better response and so better technical standard will definitely outweigh the benefit of a faster determination of the technical standards.	
109.	Vereinigung der hessischen Unternehmerverbände (Vh	General Comment	Despite the serious reservations expressed by all Member States concerned as well as national and European social partners, the planned quantitative impact study (QIS) also shows that the considerations of EIOPA and the Commission continue to be based on capital requirements for insurance companies (Solvency II). With regard to our fundamental criticism of the application of Solvency II to institutions for occupational retirement provision (IORP), we refer to the input for the EIOPA consultation on EIOPA's draft response to the Commission's call for advice (template on EIOPA-CP-11/006) of GESAMTMETALL dated 2 January 2012. The proposed specifications demonstrate very clearly that this criticism is justified. Even if we formulate a position on details of this draft, we maintain our fundamental criticism. The draft for the QIS technical specifications confirms that the considerations not only of the European Commission but also of EIOPA amount to a full harmonisation of the planned supervision regime for IORP. Yet a fundamental discussion on whether such full harmonisation designed for insurance companies is necessary or could potentially be harmful has not even been announced let alone concluded. A tailor-made European supervision regime for occupational retirement provision oriented primarily on minimum standards and the principle of subsidiarity is clearly more appropriate for coming to grips with the specific	Noted. Resemblances with Solvency II follow from Commission's CfA EIOPA will reconsider HBS approach after the QIS

			characteristics of occupational retirement provision. The scale and complexity of the proposed QIS specifications demonstrate how serious the effects of applying Solvency II capital requirements to IORP would be. Setting aside the possible quantitative impact, IORP and the companies they serve would be burdened with considerable bureaucracy. It is clear that IORP would have to hold more capital as a result of risk-based capital requirements. The holistic balance sheet approach (HBS approach) proves to be poorly suited to taking adequate account of the specific characteristics of occupational retirement provision and in particular to preventing additional burdens. __________________________ The proposed technical specifications are heavily inspired from the Solvency II framework for insurance companies, even though the Commission had said the rules for IORPs would not be just copied and pasted from Solvency II. We regret this back-tracking. The level of detail and complexity of the QIS is beyond the capabilities of most sponsoring companies and their IORPs. This might make sense in the insurance sector where the relevant expertise is available. This appears to show a desire to borrow from insurance industry regulations and apply them to occupational pensions. Accordingly the technical specifications are designed in such a way that sponsoring companies will have difficulties to answer or will not be able to comment properly. If that what is shimmering through this QIS concept becomes the blueprint for a new supervisory regime under the new IORP II Directive there is a significant risk to undermine the future motivation of sponsoring employers in the MS to set up and to use IORPs in future.	

			The revision of the IORP Directive – and especially this consultation - is a very technical exercise. It is important to realise that the technicalities are very important, but they should be subordinate to the overall long term goals of the European Pension Policy. First comments of big European companies who sponsor their own pension funds as HR vehicles indicate that this exercise and its complexity is well beyond their capabilities. A new IORP Directive should not provide an incentive to scale back second pillar pension provision or to move the pensions outside the scope of the IORP Directive (moving back to first pillar pensions, shift to book reserves or individual defined contribution schemes). This is undesirable, given the fact that only 40% of the European employees is currently participating in a supplementary pension scheme and given the need of more supplementary pensions in Europe (see also EC White Paper on Pensions). Excessive supervision of the second pillar IORPs will increase the pressure on the first pillar, which is according to the Commission already under stress in many countries. The representativeness of the QIS is insufficient for an IORP II proposal by the EC (see question 1). Furthermore, in some of the eight participating Member States the QIS will not be performed by IORPs, but by supervisory authorities which are using aggregate data (or it is done by actuarial firms on behalf of the supervisory authority). However, it is our opinion that EIOPA and the Commission can only have a good indication of the real impact when the QIS will be performed by IORPs (instead of hypothetical schemes). The use of aggregated data makes the comparison between funds and countries meaningless and it will be very hard for EIOPA to have an adequate overview of the sensitivity to the assumptions.	

			The time-schedule is too tight. Supervisors and the pension sector have very limited experience with the concept and the valuation of the holistic balance sheet. When stakeholders have more time to react on the technical standards, this certainly will improve the quality of the response and so the final technical standards. We do not see the added value of shortening the consultation period due to the imposition of an external timetable (I.10.1). The advantage of a better response and so better technical standard will definitely outweigh the benefit of a faster determination of the technical standards.	
110.	Versorgungskasse des Norddeutschen Lloyd, Bremen	General Comment	- In our our pension fund we presently have 1.180 insured persons. We operate our business since 1926. - Our pension fund will not be able to comment on technical specifications due to lack of time, a small staff, costs, know-how and language. - With regard to the proposed new regulations we are afraid to face substantial additional administrative tasks, leading to additional costs. - We are afraid that we may not be able to continue our prosperous business without more ado if such new regulations will be applied. - We therefore strictly object to the considerations of the EU.	Noted.
111.	Zusatzversorgungskasse des Baugewerbes AG	General Comment	Zusatzversorgungskasse des Baugewerbes AG (ZVK-Bau) thanks for the opportunity to answer to the Consultation on the Draft Technical Specifications of the QIS of EIOPA's Advice on the Review of the IORP	Partially agreed. Commission will

			Directive. ZVK-Bau is located in Wiesbaden, Germany, and a paritarian institution founded in 1957 by the trade union and the employers' organizations of the German construction industry. ZVK-Bau administers a supplementary pension scheme for 581,000 construction workers employed in 40,000 companies and 402,000 beneficiaries. Like in our answers to the Greenbook and the consultations on EIOPAs former advices we disagree on the principles and the approach brought forward in the general structure of a Solvency II-shaped supervisory regime enriched by some IORP-specific modifications. This is crucial, as we believe a new supervisory regime for IORPs should originate from the IORP directive itself. We regard this initiative of the European Commission (COM) even as counterproductive to the overarching pension policy laid down within COM's White Paper "An agenda for adequate, safe and sustainable pensions". Herein declared COM it's desire to strengthen Pillar-2-pensions. This is in stark contrast to the events that are going to follow in the wake of a supervisory regime as it can be envisaged by the actual consultation. We regard lesser sponsor willingness for defined benefit schemes almost as certain. This leaves beneficiaries with all the risks of a pension "promise" consisting of nothing but a contribution promise per month or per year. To research on this kind of qualitative topics should be the foremost task of a very first QIS dealing with the revision of the IORP directive. We suggest that COM should ask EIOPA to analyse the political implications of the intended supervisory regime and to deliver findings on the	conduct comprehensive cost-benefit analysis after QIS EIOPA agrees more QISs are needed Some areas of technical specifications have been simplified, sponsor support section will be further developed

			following questions: 1. How will a supervisory system which relies heavily on quantitative modeling affect the willingness of IORP's sponsors to provide defined benefit pensions? a) Would such a regime annihilate sponsors' willingness to provide Pillar 2 pensions completely or would it lead to a closure of defined benefit schemes and provision of defined contribution schemes? 2. Will the risk transfer from sponsors towards beneficiaries within defined contribution schemes affect the willingness of employees to participate in this kind of schemes? Would this raise their risk of old age poverty? After careful examination of these fundamental questions COM should decide if a revision of the IORP directive seems to be reasonable and - if this is the case - in which direction to proceed. During this process COM should ask EIOPA to let IORPs test the proposed tools gradually more thoroughly before adopting a new directive. Although all supervisory frameworks mention the principle of proportionality this QIS is not developed in a way that recognizes this principle: The calculations are overly complex. Without an excessive strain on personal or financial resources (i.e. for external consultation) the average IORP is not able to deliver a thoroughly correct result due to the difference between the data needs for running the business and the data needs for running the QIS. This will lead to biased result, if only big IORPs participate in the QIS. If a supervisory regime requires these calculations regularly and - if implemented via a Own Risk and Solvency Assessment (ORSA) process- oftenly the costs would damage financial	

			results of the IORPs and thereby the benefits of the schemes' beneficiaries. Since the very start of the revision of the IORP directive COM and EIOPA are dealing with only one model: - a one sponsor one IORP / one scheme relation - where every beneficiary has an identifiable account - which is funded Multiemployer schemes are mentioned in the consultation but not really dealt with. Schemes where a multitude of employers share the responsibility to provide an industry-wide calculated pension based on collective equivalence – meaning that there are no individual accounts and the industry-wide contribution is set in a way to cover the industry-wide benefit – are far beyond the possibility to model within the suggested framework. Same is true for partly funded partly PAYG-financed schemes. Since ZVK-Bau contains all of the above mentioned peculiarities we find it hard to answer the questions correctly because lots of our security mechanisms, ways of planning, operating and controlling our business do not fit to the model in mind of COM and EIOPA. To illustrate this, we would like to mention the method of calculating the real value of sponsor support: especially paritarian IORPs whose schemes are based on collective bargaining agreements like ours provide a well-balanced security for scheme sponsors (the employers) as well as scheme beneficiaries. The pension promise itself, the conditions to gain a pension, the contribution rate, any raises of latter and even last resort	

			benefit reductions are agreed during collective bargaining processes. They are fixed in the best interest of sponsors and beneficiaries to provide a long-lasting equilibrium between productivity of the sponsors on one side and wage and fringe benefit justice for the beneficiaries on the other side. The powers to fix and – if needed due to cases of distress – adjust these conditions of the schemes stem from the collective bargaining powers of the social partners as laid down in national social and labor law. Therefore the degree of freedom to adjust scheme conditions, contribution rates and last resort benefit reductions is higher for paritarian IORPs than for IORPs that dispose only of a "normal" restructuring clause (last resort benefit adjustment) or "normal" sponsor support. The QIS should provide opportunities to transport and value this kind of information. Within paritarian IORPs every raise of the contribution rate is part of this above mentioned equilibrium: the result of the almost yearly bargaining process between social partners is a package that consists of wage raises, pension funds contribution rates, working time, fringe benefits etc. So every raise of pension funds' contribution is financed not only by the sponsoring enterprises but economically by all employees too because the latter abstain from getting possible wage raises or fringe benefit improvements or decide to raise productivity (by longer working hours for example). Sponsor support cannot be measured only against financial resources of a sponsoring company but has to acknowledge that – especially in industry-wide IORPs - employers and employees of the whole industry support the scheme. Given the suggestions of the consultation concerning a 3 % wage increase per year we assume a contribution raise potential of at least up to 3 % of gross wage increase a year in case of pension fund distress. This works for the whole, longer than one year lasting recovery period.	

			If thrown back to EIOPA's model within the QIS we are obliged to calculate the value of sponsor support via ratings of the sponsors or – as a simplification – via the ratings of the biggest sponsors. Our IORP serves more than 40.000 (forty thousand) enterprises of which the biggest five only make up for around 5 % of the contribution rate and 92 % of the sponsoring enterprises have less than 20 employees. Therefore 92 % of the companies within our IORP neither calculate or publish financial data like EBTDA nor provide a rating opinion and hence we cannot deliver the data needs for calculating sponsor support within the QIS. Does that mean that the beneficiaries are in any danger of sponsor support loss? On the contrary: Since the beginning of operations in 1958 ZVK-Bau coped with up to thousands of insolvent sponsors every year without any beneficiary denying his or her well-deserved pension. This works due to inter-industrial solidarity and the abstinence of individual pension accounts. Therefore the legal framework and the construction of the IORP itself works as kind of a Pension Protection Scheme for all 40.000 enterprises within the construction sector of Western Germany. At last, we are concerned that market consistent accounting will introduce excessive volatility in our balance sheet. As mentioned before since the beginning of operations the most important steering mechanism was adjustment of the industry-wide contribution rate. Within the last 55 years the contribution rate was adjusted 25 times. It had an average of 1,36 % and a standard deviation of 0,64 %. With mark-to-market valuation of assets and liabilities we fear that the standard deviation will explode so that the contribution rate is impossible to predict for sponsors and therefore hampers their ability to plan their business operations. By this an ill-designed regulatory framework might	

			affect normal business operations.	
112.	Zusatzversorgungskasse des Maler- und Lackiererhan	General Comment	Comment of Zusatzversorgungskasse des Maler- und Lackiererhandwerks VVaG (zvk Maler) on the planned impact study (QIS) in the review of the IORP Directive. We are convinced that the present form of the QIS study form considers the interest and particular conditions of regulated pension funds only insufficient. At present we don't see us in the position to give qualified comments on the technical specifications. We are a medium sized regulated pension fund established by the social partners of the painting and decorating industry. We service approximately 250,000 candidates and retirees of this industry in respect of an additional retirement pension based on a collective wage agreement. Since 1972 employees of the painting and decorating industry are part of a system which offers on the basis of a collective wage agreement a retirement pension supplement which is funded by the employer. Starting in 2003, the employees also have the possibility to choose a retirement provision based on deferred compensation. A significant tightening of the regulation, as it is intended by the revision of the IORP Directive is not feasible with our current capacity. Additional resources would be needed to implement the requirements. The	Noted.

			bureaucracy would be bloated and the profitability in favour of our members would be reduced dramatically. An increase in staff produces would produce less benefit for the pensioners in the industry. We always fulfill the requirements set by the German regulator. By a conservative investment policy, which among other things is expressed by a low equity exposure, we generate stable returns in favour of our members. This approach is closely monitored. We disagree with the considerations and reject the proposals.	