

<b>Comments Template on Discussion Paper on Sponsor Support Technical Specifications</b>		<b>Deadline 31 October 2013 18:00 CET</b>
Name of Company:	Society of Pension Consultants	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> <li>⇒ Do <b>not</b> change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool</li> <li>⇒ Leave the last column <u>empty</u>.</li> <li>⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a question, keep the row <u>empty</u>.</li> <li>⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below.</li> </ul> <p><b>Please send the completed template, in Word Format, to <a href="mailto:DP-13-001@eiopa.europa.eu">DP-13-001@eiopa.europa.eu</a></b></p> <p><b>Our IT tool does not allow processing of any other formats.</b></p> <p>The numbering of the questions refers to Discussion Paper on Sponsor Support.</p>		
<b>Reference</b>	<b>Comment</b>	
General Comment	<p>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.</p> <p>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</p>	

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	<p>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.</p> <p>SPC's growing membership collectively employs some 15,000 people in the UK providing pension-related advice and services.</p> <p>SPC welcomes the opportunity to comment on this discussion paper.</p> <p>Our main observation is that it is still unclear what purpose the Holistic Balance Sheet, and the sponsor support value placed within it, will serve. Is it, for example, intended as part of the disclosure framework only? Or is it intended to have a more direct role in driving funding levels and the rate of funding?</p> <p>Without the answers to these questions, it is not possible to give proper consideration to the contents of the discussion paper. For this reason, we have not answered the specific questions raised in the paper.</p> <p>We note from recent announcements from the EIOPA Chairman that EIOPA is continuing to press on with the development of the Holistic Balance Sheet. He has also stated that he intends to present proposals to the next Commission „for a European risk-based prudential regime that appropriately reflects the specific reality of pension funds“. However, once more it is far from clear exactly what the EIOPA Executive means by this statement. We again ask what is the intended purpose – disclosure or driving the pace and level of funding?</p> <p>To be clear, we do not consider the Holisitic Balance Sheet concept, in itself, to be a bad one. Assuming the use of the Holistic Balance Sheet as a mechanism for improved transparency <b>only</b>, we consider that recognising the value of</p>	

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	<p>sponsor support is vital. However, we question whether it is necessary or, indeed, appropriate to place a single number on that 'value'. To do so has several underlying challenges (if not outright flaws)</p> <ul style="list-style-type: none"> <li>• If all aspects influencing the current, ongoing and breakup value of a sponsor (potentially within a group) are assessed and 'valued', the process is hugely costly</li> <li>• The assessment/valuation will take a long time – the more complicated the group structure, the longer this will take. The upshot is that it will always be 'out of date'</li> <li>• Catastrophe events are, by definition, impossible to predict accurately and avoid (so a 'strong' sponsor can become insolvent overnight) – so the assessment has questionable value in this context</li> <li>• The attempt to use a market-consistent basis (even where no market exists) appears to risk adding unwarranted degrees of prudence</li> </ul> <p>The other aspect that EIOPA appears to be failing to take into account or assess is quite what purpose or benefit this costly, time-consuming exercise will serve? What work has been done to quantify the benefit to members?</p> <p>Certainly within the UK pension system, the benefit to members that the HBS will deliver is is, as yet, unproven by EIOPA.</p> <p>The cost of requiring IORPs to carry out the valuation of the component parts of the Holistic Balance Sheet – particularly the sponsor support - must be assessed for legislators to make an informed decision about its use. We would ask EIOPA to set out what work it is undertaking to assess this cost.</p> <p>Moreover, the benefit to members of the Holistic Balance Sheet has to be assessed. EIOPA must be accountable to members of IORPs for delivering any</p>	

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	<p>identified benefits.</p> <p>We are aware that the EIOPA executive believes that the HBS will enable it to compare the various pension systems of different Member States against one another. In our view, any such ability is superficial because different Member States have different benefit and security adjustment mechanisms that can be used. Whilst each of these elements can be 'valued' (whether or not that valuation is meaningful) as part of the Holistic Balance Sheet, the comparison from one country to another is meaningless.</p>	