Summary of Comments on Consultation Paper: Response to the Call for Advice on the review of the IORP Directive 2003/41/EC: second consultation - EIOPA-CP-11/006

Q12–Q33

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No.	Name	Reference	Comment	Resolution
1.	OPSG (EIOPA Occupational Pensions Stakeholder Group)	12.	In its draft answer to the CfA, EIOPA gives much weight to the holistic balance sheet. The main reason stems from the CfA, which asks EIOPA to consider "The possibility to restate the value of assets in the IORP and liabilities of the sponsoring undertakings into a single balance sheet, including the possibility to recognise sponsor covenants and claims in pension protection schemes as an asset similar to reinsurance". The EIOPA reply makes clear that EIOPA considers that it could be possible, but does not state whether it is the most appropriate or practical supervisory instrument. The OPSG is happy that the European Commission and EIOPA recognise that the steering instruments should be accounted for in the supervisory framework and that capital buffers are not the only security mechanism of IORPs. For instance the sponsor covenant and security mechanisms, like the option to increase (future) contributions or to apply benefits adjustment mechanisms, are assets that lower upfront solvency capital requirements. EIOPA states that an holistic balance sheet (HBS) approach would enable the supervisors to adopt the same framework for IORPs covered by the various forms of support as mentioned in article 17 of the IORP Directive (e.g. no sponsor support or where sponsor bears some or all of the risk). Although it is important that members understand the security of their benefits, the HBS should not be targeted to members, since it is far too complex and in many cases will not improve the insights of members. The OPSG considers that it may be helpful to adopt an holistic	Noted. EIOPA recognises that there is much further development needed to implement the HBS concept, and that complexity and proportionality are very important issues. It may be appropriate to rename the HBS and to standardise other aspects of pensions terminology.

			framework, but does not think that the term "holistic balance sheet" is appropriate as: 1. it is not a balance sheet in an accounting sense, and does not comply with IFRS, and the term "balance sheet" may be used inappropriately e.g. as a measure of a contingent liability in the sponsor's corporate accounts; 2. this implies that all of the elements can be quantified precisely, whereas the value assigned to some of the components needs quite some judgement and is likely to be subjective and approximate, and might perhaps be better understood by considering a range of outcomes rather than a single discounted value of future cash flows. The OPSG strongly believes that both an impact assessment and a quantitative impact study (QIS) are needed before at level 1 it can be decided that an holistic framework should be adopted. With no clear insight into the possible consequences, not even by EIOPA itself, no sensible decision on principles can and should be made. We are therefore happy that EIOPA is to do a QIS and we are looking forward to discussing both the way the QIS will be conducted and the outcomes with EIOPA. Important in this impact analysis and QIS are the macro consequences on the economy as well as on the pension sector. To give one possible example: the current IORP Directive leaves room for calculating the technical provision based on a bond discount rate (i.e. a matching approach or "risk-free") or using "expected return on assets" (i.e. a budgeting approach). The shift from discounting based on expected return to risk-free would lead to a substantial increase of the technical provision in some Member States. The macro consequence would be a possibly substantial increase in pension contributions, which could lead to lower accrual of new benefits, no indexation or cutting benefits. This in turn could lead to a slowdown in consumption which will have an	

			effect on the broader economy. For companies, the need to commit additional capital to support pension provision will mean a reduction in investment in their business, leading to a slowdown in economic growth and development. A further consequence of the proposed approach could be a reduction in the investment of pension funds in equity or growth assets, which could have a significant negative impact on capital markets. When looking at the security of pension benefits, the OPSG suggests that this will be done using a holistic approach as put forward by the European Commission in its Green Paper on pensions (please note that the term 'holistic approach' explicitly does not refer to the holistic balance sheet or the holistic framework mentioned above). Supervision should strike a balance between affordability, adequacy and level of security, whereas a focus on security only could lead to more secure, but also lower and more expensive pensions. As mentioned earlier, both an impact assessment and QIS are needed before one can conclude whether or not such a balance has been struck by the proposals put forward by EIOPA. If this is unclear, we foresee the risk of piling prudence on prudence, an approach also not intended by EIOPA to our understanding. A revised IORP Directive and accompanying supervisory framework should be flexible enough to support and accommodate future developments and innovation of pension systems and pension schemes. We see and foresee a broad spectrum of pension schemes, between the ends of the spectrum of hard DB benefits and individual DC benefits. All sorts of hybrid pensions are being developed and most likely will emerge in the future; the revised Directive should be forward looking in that respect. The OPSG considers that the level of security of the pension	

			promise is part of the pension deal and should be left to Member States and to social partners offering pensions via an IORP. The warranted security and level of benefits is dependent on many factors, including first pillar, state pensions, tax and Social and Labour Law. Therefore, no harmonisation of the security of benefits is either wanted or needed. The difference in security of benefits should be mirrored in the valuation of the benefits. A guaranteed pension of € 1.000 in 10 years time (with many security mechanisms in place) is of greater value to the member than a € 1.000 benefit which is less secure, with the assets backing it being invested in more risky investments and if there are no safety valves. This could be reflected in the discount rate (being either "risk-free" or expected equity return). The nature and riskiness of the benefits should be reflected in the discount rate used for discounting the future cash flows to establish the technical provisions. Recovery periods in case of underfunding or in case of insufficient (contingent) assets to comply with the solvency requirements should recognise the nature of pensions being different from insurance. The recovery periods should be long enough – years are far more appropriate than months – and should be flexible. During the last crises many supervisors of IORPs have granted extensions of recovery periods to prevent too severe pressure on contributions and benefits with an ultimate goal to stabilise the impact on the economy and society and on the financial sector. Experience with risk based supervision in some countries clearly indicates that supervisory flexibility is of utmost importance for sustainability of the pension system. To conclude our general remarks with regard to CfA 5 and 6, we want to make clear that the OPSG fully agrees with EIOPA that good communication and transparency is necessary. This should	

			be well balanced with security and prudential supervision. The Groupe Consultatif (2010) mentioned that communication and transparency seem to be the areas with most room for improvement in the supervision of pension funds.☐ The OPSG wants to emphasise once again that proportionality is of utmost importance to prevent the net impact of supervision on the benefits being negative due to too high costs or pressure to adjust the benefits.	
2.	AbA Arbeitsgemeinschaft für betriebliche Altersver	12.	As described above, we are of the view that risk-based capital requirements are inappropriate for IORPs. As such, we do not support the holistic balance approach. Moreover, this approach suffers from the problem that it represents a snap shot or point in time view of the financial position of an IORP. Especially considering that the holistic balance sheet will be based in large part on market valuations, this snap shot may not be representative of the longer term evolution of the IORP. And yet, decisions impacting the IORPs viability would be based upon it. The central assumptions underlying the holistic balance sheet approach are taken from the Solvency II model i.e. market consistent valuation of assets and liabilities, one year time horizon, 99.5% confidence level etc. These assumptions would lead to the following effects on existing IORPs in Germany: ☐ Extremely high own fund requirements resulting from o duration gap (mainly due to lack of appropriate long-dated securities) and o historically low interest rates (which may not necessarily reflect economic fundamentals) ☐ Extremely high volatility of own fund requirements due to o valuations based on point in time market values	Noted. The holistic balance sheet is a methodological concept only, and the issue of what basis should be adopted for calculation is a separate issue which is considered in chapters 9 and 10.

			o currently high capital market volatility, in particular, interest rate volatility In the current environment where interest rates are kept extremely low due to artificially low reference rates and exceptional quantitative easing measures, a Solvency II approach would lead to unaffordable capital requirements. This cannot, objectively speaking, be considered risk-oriented. The holistic balance sheet approach draws on an unmodified Solvency II Directive as a "suitable starting point" and merely incorporates the employer covenant and pension protection schemes as additional assets used to cover the market value of liabilities. This means that a reasonable holistic balance sheet model implies that the value of the employer covenant (backed by the pension protection scheme) will have to be determined by the gap it is supposed to fill. This will be the gap between the financial assets on the one hand and technical provisions plus solvency capital requirements on the other hand. If the accounting profession adheres to the principle of prudence, this inevitably resulting shortfall will likely find its way into the financial statements of sponsors and/or pension protection schemes, thereby creating a circular reference and, as a consequence, systemic risk. The current distinction in Article 17 between the various IORP types has lead to the situation that IORPs in only 3 member states are subject to own fund requirements (CEIOPS 2009). In the case of Germany, most IORPs are subject to own fund requirements even though they, or more accurately, their members have recourse to the sponsoring employer in the event the IORP should fail. It does not make sense to introduce new	

			capital requirements that would only affect 3 member states, as regulations in these 3 countries are currently more than adequate.	
3.	ABVAKABO FNV	12.	The idea of a holistic balance sheet seems to offer theoretical possibilities for harmonisation, but the complexities involved make this an instrument that is unsuitable as a primary supervision tool. The concept should be developed further, where both an impact assessment by the Commission and a quantitative impact study by EIOPA are essential, before any decision can be made whether the holistic balance sheet can and should be used as a supervisory tool. The PF is willing to support both the EC and EIOPA in making these assessments if and when needed. Consideration may be given to using the method as an internal model that can possibly lead to lower solvency buffers if properly used. This use will account for the proportionality issues for smaller IORPs that are involved in using a complex tool. The distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs can be retained. However, we do note that this distinction is not complete and does not cover all forms of IORPs. A category should be added in which the members themselves bear (part of) the risk, as opposed to the IORP as an institution.	Noted. EIOPA recognises that there is much further development needed to implement the HBS concept, and that complexity and proportionality are very important issues.
4.	AEIP	12.	39. AEIP rejects the idea of imposing on EU level solvency II type quantitative capital requirements. 40. However, if the commission would not refrain from capital requirements on all types of IORPs, we would like to understand the full consequence of the holistic approach as the possibility to completely replace quantitative capital requirements by qualitative elements or mitigation techniques.	Noted. EIOPA agrees that quantitative impact and cost/benefit analysis are important for a final decision.

			41. AEIP rejects the idea of valuing sponsor guarantees, pension protection systems or possibilities to make benefits conditional in an explicit quantitative way (monetary terms). 42. We invite EIOPA to consider a qualitative approach rather than a quantitative balance sheet concept. AEIP would therefore prefer the concept of 'holistic approach' instead of 'holistic balance sheet'. 43. The holistic approach is interesting and has positive and negative aspects. We appreciate the EIOPA analysis on specific characteritics of the IORP. AEIP beleieves that any decision over this matter has a political component, since there might be relevant impacts over the structure and nature of occupational pension schemes in Member States. 44. The nature of the commitment taken by the pension vehicle is essential to design its supervisory framework. It is clearly the case for the insurance companies in Solvency II. They must guarantee their commitments. Not taking the nature of the commitment into account, would lead to a de-level playing field between different vehicles. There is a distinction between the commitment of a scheme sponsor, and the commitment taken by the pension institution. This is a strong argument in favour of maintaining the distinction referred to in Article 17 of the IORP Directive. 45. The concept of the holistic approach might be used (taking in consideration the technical remarks) for the evaluation of a pension scheme or system. It could therefore be used to judge the sustainability of a pension scheme or system independent of the vehicle which is used to finance it. The analysis of the security and sustainability of the pension scheme	

			goes and should go beyond the IORP directive as it applies to all pension schemes or systems independent of the vehicle that is used. The EC could address this in the forthcoming white paper on pensions or take a separate initiative. 46. In favour of the holistic approach speaks that it allows for the assessment of different pension contracts at an abstract level. IORPs would consider elements that are beyond the IORP itself and that are key differences from insurance. This could be seen as representing the interrelation between social aspects and prudential aspects within the field of occupational pensions. Particularly the ability to rely to sponsor support and/or pensions protection schemes and the existence of benefit adjustment mechanisms. Steering mechanisms are considered, the possibilities for arbitrage decrease, and difference with insurers becomes visible. 47. There is also a lot against the holistic approach. Neither the implementation measures nore the impact are very clear. And the approach might be too cumbersome to work with. Assuptions are accumulated, and create insecurities. An important model risk will appear. The regulation of the IORP should focus rather on the institution and not on the scheme. Generally, the holistic approach is considered to be too complex to be the regular and sole European supervisory instrument. It could however be a useful option as an internal model for large diversity of pension contracts (defined benefit, defined contribution, hybrid schemes). 48. From a more technical point of view AEIP agrees with the idea that a prudential approach should take into consideration the distinction between guaranteed and conditional benefits (and possibly discretionary benefits) including the existence of benefit adjustment mechanisms. The level of security is indeed part of pension contract. The extent of benefits to be evaluated and the	

			actuarial method to be used will influence this component. 49. When putting on the asset side of the balance sheet things like a sponsor covenant, it denies that in reality it is more the liability side that is not fixed. Conditional benefits, or adjustment mechanisms wherebye pensions are adapted when assets are insufficient, are part of the pension promise and of the liabilities, which are not fixed an can not be approached through formulating an assumption. An obligation of means is not equal to an obligation of results. This makes the solvency II framework that is created for valuing obligations of results, less workable for IORP's. 50. Moreover, when a sponsoring employer is subject to international accounting standards, he is obliged to hold in his accounts a buffer reserve to cover his pension liabilities when assets might be insufficient. Imposing the pension institution to hold also a buffer reserve would mean that security on top of security would be required. This is excessive. This is a strong argument in favour of activating a sponsor covenant only when it is needed. 51. The experience of the AEIP members with risk based supervision clearly indicates that supervisory flexibility is of utmost importance for sustainability. We invite EIOPA to make the impact assessment of the holistic approach.	
5.	AFPEN (France)	12.	14. The main problem of the Holistic Balance Sheet is that it contains the essential aspects of the solvency II regime, i.e. the "mark-to-market" criteria for the valuation of assets and liabilities, a risk-sensitive calculation of the solvency capital requirement as the value-at-risk with a 1-year-horizon and a security level of 99,5%. The main problems related to these concepts are:	Noted. The holistic balance sheet is a methodological concept only, and the issue of what basis

			15. ☐ very high capital requirements due to the long duration of liabilities, guaranteed benefits and the IORP typical duration mismatch of assets and liabilities because of the longer duration of liabilities compared to assets 16. ☐ very high capital requirements in times of low interest rates 17. ☐ volatile and arbitrary capital requirements in times of fragile financial markets (interest rates, equity markets,…) 18. ☐ the long-term risk diversification behavior of IORPs is limited by the 1-year-horizon of the standard formula 19. ☐ to high capital requirements due to the 1-year-horizon given the long duration of liabilities and the marginal relevance of short term fluctuations 20. ☐ implementing the solvency II structure and accomplishing all the legal and IT requirements is related to high additional financial costs and manpower efforts 21. In the end the sum of the ingredients of solvency II will have serious consequences. The require-ments of pillar I and III suffice to account for severe or even life-threatening difficulties for some IORPs with respect to handling the organizational and financing the capital requirements due to the existing retirement provisions. Forcing them to accomplish all the capital, legal and IT requirements following the solvency II framework will lead to rising cost. This will in turn reduce the benefits for existing retirement provisions and / or increase the need of additional financial contributions of the sponsoring undertaking. In the medium-term a changeover from defined-benefit- to defined-contribution-schemes due to excessive demands in defined-benefit-schemes is very likely. The effect is a risk transfer from the IORP respectively the sponsoring undertaking to the	should be adopted for calculation is a separate issue which is considered in chapters 9 and 10.

			employee. Or–even worse–this process leads to an entire termination of occupational pension covenants and the disappearance of IORPs. These consequences stand in direct contrast to the political objective target of securing retirement provisions and are surely not intended to be the outcome of a revised IROP Regulation. 22. To sum up this all together makes up for a veritable and unintended paradox of the solvency II regulation approach. If for security reasons the capital requirements for IORPs increase in the end the employee is cursed for his own future security. In other words: to avoid unlikely benefit reductions in the future we accept definite benefit reductions in the present! 23. With the Holistic Balance Sheet (HBS) EIOPA tries to cope with the problems mentioned above by taking into account some special characteristics of IORPs. This is done by integrating two additional assets–additional financial contributions of the employer and the pension protection schemes–as well as the possibility to reduce liabilities because of benefit reductions. But for the IORPs the HBS does not change the situation for the better for the following reasons: 24. 1. Fundamental principles and problems of solvency II remain unchanged 25. The general principles of the solvency II and especially of pillar I remain unchanged. And therefore the implied consequences mentioned above ("mark-to-market" valuation, 1-year-horizon, volatility, arbitrariness, interest rate sensitivity, financial costs and manpower efforts,…) remain problematic as well. The HBS might indeed reduce the capital requirements for IORPs but at this point severe follow-up difficulties arise. 26. 2. Concrete problems with the design of the HBS	

			27. The concrete design and functioning of the HBS creates various essential problems. If the additional "security mechanism" of IORPs are valued according to a "market-value", what is the concrete "market" value of the subsequent payments of the sponsor or a possible pension protection mechanism in place? How much is it "worth" to be able to reduce benefits in case of a financial emergency? Shall these assets be allowed to appear on the balance sheet already in the unstressed market-value balance sheet or only to cover the losses of stressed assets? 28. All these questions exemplify the immense difficulties due to a plausible valuation, tiering and bal-ancing of assets and the high degree of arbitrariness when it comes to quantifying these additional assets according to "market-values": there simply is no concrete balance sheet value due to the nature of these assets. So the attached values are highly arbitrary and therefore contradict the notion of a neutral, objective and informative balance sheet. 29. 3. Are „new" assets „new" liabilities as well? 30. It is very likely that the concrete value of the additional assets will have to fill exactly that gap which the IROPs face because of the changeover to the solvency II balance sheet. The difference is the outcome of the market valuation of assets and liabilities. So the seeming "market value" of the new assets is in the end predetermined by the increase in the capital requirements given the pillar I of solvency II which is described above. 31. And this leads to the successive problem: If these "new" assets enter the balance sheet of the IORP there "new" liability will also have enter the balance sheet of the sponsoring undertaking. Therefore the higher capital requirements of	

			solvency II–as described above–will move to the balance sheets of the employers. Again, as AFPEN argued in the pure-Solvency-II-situation, the consequence would be the termination of occupational pension retirement provisions and the disappearance of many IORPs on a large scale. 32. 4. The “Holistic Balance Sheet Paradox”: Same security as before, but dramatic consequences? 33. After all AFPEN wants to point out the inherent paradox associated to the HBS: The security level for the employees is exactly the same as before! Economically speaking nothing changes, it is only a question of accounting and the interplay of IORPs and employers, as was argued above. But due to the dramatic rise in costs it is likely that this level of security is not affordable anymore! 34. To the contrary: In AFPEN’s opinion, EIOPA has correctly identified existing security mechanisms which can be called upon in case of emergency so that the security of retirement provisions is guar-anteed. And EIOPA has in particular noticed the differences between IORPs and insurance undertakings. Additionally, AFPEN would like to mention some further distinctive features common to public sector IORPs that differentiate institutions of the so-called “second” and “third” pillar as far as benefit security is concerned: 35. • IORPs have got 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. 36. • Many pension schemes, especially of the public sector in the Netherlands, the Scandinavian countries or in Germany, foresee paritarian management. Paritarian management involves	

			social partners in 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. 37. • Due to the fact that IORPs in the public sector are Not-for-Profit-organizations the possibility of a potential trade-off between the aim “consumer protection” and profit maximizing behavior and dividend payments are minimized. 38. • The long term investment horizon of IORPs and the impossibility of capital withdrawal (nearly no benefits before retirement) also strengthens benefit security. 39. • For DB- and hybrid DB-/DC-schemes, in at least some Member States, employers have the ultimate responsibility for the fulfilment of the pension promise as additional benefit security mechanism. 40. AFPEN’s sum up: 41. ☐ If the general idea of pillar I of solvency II is to prevent that IORPs are assured against exceptional emergency cases then this protection especially in case of public sector IORPs already exists because of the additional security mechanisms in place! 42. ☐ If these mechanisms shall be quantified grave problems arise which essentially contradict the initial idea: only a pseudo-certainty and -precision given the arbitrariness of the valuation of additional security mechanisms as assets! 43. ☐ And: lots of (small) IORPs will be unable to cope with the immense plus in manpower and financial effort 44. ☐ In the end: the existing security mechanisms today	

			already safeguard with low cost exactly that level of security which shall be created with pretended quantitative precision in the new regula-tion regime for much higher cost (better case) if not for the price of termination of existing pen-sion scheme arrangements (worst case)! 45. UP-SHOT: 46. ☐ Extreme effort & great uncertainty with respect to construction, valuation, etc. of the HBS! 47. ☐ No security surplus for employees but higher cost for employers! 48. ☐ AFPEN strongly opposes to the HBS in consideration of all these aspects! 49. Why the banking (Basel II/III) and the insurance (Solvency II) perspective is in general not the appropriate starting point for the regulation of IORPs! 50. The fundamental arguments for the regulation of the banking sector which became constitutive for the first pillar of the Basel II/III structure as well as for the Solvency II structure is as such not trans-ferable to the occupational pensions sector! It is very important to recall that these reasons arise because of specific characteristics of the banking and the insurance business; and only for these reasons high capital requirements available at short notice are necessary! 51. 52. 1. The problem of banking: term- and liquidity-transformation 53. The probably most central task of banking is the term- and liquidity-transformation, that is to say that banks use liquid short-term deposits to finance illiquid long-term credits and	

			investments. The problem hereby stems from the fact that the bank has to manage its liquidity and solvency position in such a manner that the liquidity position corresponds to the short-term structure of the liabilities. This bears the possibility of sudden withdrawals of deposits to the point of bank-runs and insolvency due to illiquidity although the bank may still be economically healthy, systemic and macroeconomic risks arise in consequence because of the importance of credit and payment transactions. To avoid this problem banks are required to hold enough and risk-adjusted capital! 54. 2. The problem of insurance: withstand a sudden change for the worst 55. The solvency capital requirement of Solvency II implements a more sophisticated capital requirement system in order to assure that insurances equipped with enough capital and liquidity at short notice to withstand sudden adverse developments and catastrophes such as storms, floods, car crashes or epidemics (see statements of the EU-Commission). Not only underwriting risks are covered any more by the capital requirements but also risks on the asset side, for instance market risks and credit risks, as well as operational risks. To assure the financial position of insurances against the background of sudden changes for the worst enough and risk-adjusted capital is required! 56. ☐ IORPs are not facing these problems! 57. Both these problems are not especially relevant for IORPs as they are for banks and insurances. Central for the separate position of IORPs is the extreme long duration of liabilities due to retirement provisions. This implies two important consequences: 1. A virtual impossibility of capital withdrawals at short notice: Nearly no benefits are due before retirement. 2. This in turn	

			enforces and protects the long term investment horizon of IORPs. 58. Because of the long duration of liabilities also on the asset side long-term developments are more important than short-term fluctuations of markets or interest rates that have to be considered by banks, insurance companies and other financial companies: The duration of liabilities of those institutions is more uncertain and even endogenously affected in times of financial crisis (for instance for banks, short term investments or life insurance products with lump-sum option). This is not the case for IORPs. Given the long and stable duration of liabilities IORPs have a longer reaction period in case of adverse developments of the relevant risks. This has to be accounted for when calculating the capital requirements. A Value-at-risk-measure with a confidence level of 99.5% with a 1-year-perspective and the implied capital requirements is therefore not appropriate for IORPs and it is not necessary to hold the risk-sensitive solvency capital requirements of Solvency II in full at all times. This implies that IORPs need a different regulation perspective and regime sui generis! 59. ☐ The banking or insurance perspective is in general not the appropriate starting point for the regulation of IORPs as they are not exposed to the same problems! 60. ☐ Especially the capital requirements of Solvency's pillar I are not appropriate! 61. ☐ Individual aspects are definitely adequate and useful (risk management requirements of pillar II and disclosure requirements of pillar III) 62. An alternative: 63. The "individual security and macro stability" perspective	

			for regulating IORPs 64. In order to deliver constructive advice AFPEN wants to suggest a concrete proposal for the change of perspectives when thinking of a starting point for the regulation of IORPs. This also reflects the Commissions Call for Advice directed to EIOPA in March 2011 and the idea of developing a supervisory regime sui generis for IORPs. AFPEN would like to underline two principles for the regulation of IORPs: individual security and macro stability. 65. 1. The “individual security” aspect: enforcing the expansion of occupational pension 66. The first objective which the regulation of IORPs must intend is the notion of consumer protection or, in other words “individual security” as is very often accentuated by the European Parliament, the Commission and EIOPA. AFPEN absolutely agrees with this. The reason why AFPEN sees the necessity to separately enforce this point is that the realization of more security for employees / insurants is not necessarily related to the Solvency II structure and in particular not to the respective solvency capital requirement formula. 67. The HBS does not change the security level of pension schemes for the better it only makes them more expansive. As argued in length in the discussion of the HBS the notion of a precise quantifica-tion is flawed and leads to subsequent problems that essentially contradict the initial objective of comparability. Furthermore if IORPs and employers are forced to terminate the existing pension scheme arrangements due to the increase in financial effort because of the HBS this is definitely to refuse. 68. In contrast AFPEN would like to stress the fact that there actually exist sufficient security mecha-nisms which guarantee	

			the security of occupational pensions. In AFPEN's opinion, EIOPA has cor-rectly identified security mechanisms (e.g. 8.3.6.) and AFPEN stressed further distinctive features and specific inbuilt security mechanisms in particularly common to public sector IORPs. A brief recapitulation: 69. 70. • sponsor support 71. • pension protection schemes 72. • benefit reductions 73. • long term investment horizon of IORPs and impossibility of capital withdrawal) 74. • paritarian management 75. • modification of main contribution and benefit parameters by employers and employees' representatives 76. • not-for-profit-organizations 77. In the end AFPEN wants to emphasize that all these points are already in place to assure benefit security. This opinion is endorsed by the findings of the OPC reports that showed a large variety of supervisory practice without unveiling any evident lack in security for beneficiaries. Therefore AFPEN suggests that the starting point for further improvements of the regulation of pensions schemes should be the status quo of the existing IORP regulation. An impulse for the direction of further enhancements is given in the chapter below. 78. 2. The "macro stability" aspect: supporting long-term investment 79. The other notion, that should be central to the regulation of IORPs, could be named the "macro stability"-perspective.	

			According to this perspective supervision should enforce the diversification of investment strategies and long-term-horizon strategies in order to reduce pro-cyclical tendencies and to enhance macroeconomic stability. As argued above IORPs are due to their "safe" business model (retirement provisions, long-term nature of liabilities, no withdrawal on short notice) and the thereby enabled long-term investment strategies very suitable to carry macroeconomic risks and should therefore be allowed to play an important role as macroeconomic stabilizer. The supervisory bodies might play an important role in over viewing and coordinating the investment strategies not on a short-term basis but in the long run and at a structural level. 80. This perspective is absolutely in line with the OECD project on "Institutional investors and long-term investment" (http://www.oecd.org/dataoecd/0/27/48439143.pdf). The project is directed against the "increasingly short supply of long-term capital since the 2008 financial crisis" which "has profound implications for growth and financial stability". With this project the OECD tries to "promote policy options to encourage institutional investors to act in their long-term capacity" and "as shock absorbers at times of financial distress". This topic was also picked up and supported by Eurofi, the European think tank dedicated to financial services, chaired by Jacques de Larosière (see e.g. http://www.oecd.org/dataoecd/37/42/48281131.pdf). 81. AFPEN strongly agrees with this position and wants to point out that the long-term investment strategies of IORPs are able to fulfill exactly those important aspects mentioned by the OECD: 82. • Long-term IORP's investments are patient capital: it allows investors to access illiquidity premia and lowers turnover, it therefore encourages less pro-cyclical investment strategies and therefore greater financial stability.	

			83. • Long-term IORP's investments are engaged capital: it encourages active voting policies by the investors, leading to better corporate governance. 84. • Long-term IORP's investments are productive capital: it provides support for infrastructure development, green growth initiatives, etc., leading to sustainable growth. 85. With respect to the stabilizing potential of long-term investment strategies and risk diversification by IORPs AFPEN wants to stress that especially the great quantity and variety of small IORPs all over Europe contributes to these financial and macroeconomic stability goals. A large amount of IORPs avoids the systemic problems of a failing "global player" and the great variety of IORPs amplifies the risk diversification potential due to different investment strategies. Forcing those small IORPs to accomplish all the legal and IT following the solvency II framework would lead to the disappearance of many institutions due to the lack of capacity and the rise of costs. With respect to the macro stability perspective variety and quantity of IORPs should definitely be appreciated and supported and decreased.	
8.	AMICE	12.	7. AMICE supports the total balance sheet approach where all the risks and their interactions are considered, provided that the specific security mechanisms of pensions' institutions are reflected. Likewise, AMICE also requests that mutual/cooperative insurers who benefit from similar security provisions are given the same option.	Noted
9.	AMONIS OFP	12.	What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs should be retained or removed? AMONIS OFP rejects the proposal of a holistic balance sheet	Noted

			(HBS). However it supports the idea of taking into separately account for all the risk mitigating instruments that an IORP has. We therefore propose a holistic risk assessment (HRA) or holistic risk test. AMONIS OFP is convinced that a fundamental and clear difference needs to be made between the pension fund (IORP) and the pension scheme/pension promise. The holistic risk assessment might be an interesting concept (taking into consideration the technical remarks) for the evaluation of a pension scheme. It could therefore be used to judge the safety of a pension scheme independent of the vehicle which is used to finance it (IORP, insurance, book reserve ...). It might even be useful to evaluate the sustainability of systems functioning on a PAYG and/or mixed basis, and overcome eventually the taxonomy problems around 1st, 2nd pillar, etc. and make the security of pensions across Europe comparable. AMONIS OFP considers however that the analysis of the security and sustainability of the pension scheme /pension promise goes and should go beyond the IORP (revised) directive (as it should apply to all pension schemes independent of the vehicle that is used) and would suggest that the European Commission could address this in the forthcoming White Paper on pensions or take a separate initiative on this (which could interfere but not be fully tackled by the review EIOPA suggested of the insolvency regulation 1346/2000).	

			We consider however that the holistic balance sheet is not useful to be applied as a regulatory tool for an IORP, because : - The regulation of the IORP should focus on the institution not on the scheme; Fundamentally prudential supervision is not the appropriate tool to tackle issues of social protection. Solvency II for insurance companies examines only the engagement made by the insurer and not the engagement between the sponsor and the beneficiaries. This is not necessary (like it is for all pension schemes in Belgium) equal to the pension scheme. - Occupational pensions are based on social and cultural traditions and strongly linked to first pillar pension provision in the different Member States. Pension security is much broader than scheme funding levels alone and a single approach to pension security, which only focuses on the short term assessment of long term solvency will jeopardize many existing European pension systems. - As far as the solvency of a pension funding vehicle is concerned, AMONIS OFP believes the nature of the commitment (if any) taken by the vehicle is essential to design its supervisory framework. It is clearly the case for the insurance companies in Solvency II, so not doing this would lead to a de-level playing field between different vehicles. There is a distinction between the commitment of the scheme sponsor, and the commitment taken by the pension institution. This is a strong argument in favour of maintaining the distinction referred to in Article 17. - The main assumptions underlying the holistic balance	

			sheet are taken from the Solvency II model i.e. market consistent valuation of liabilities, VaR as risk measure. We believe that the proposed measures are not flawless and cannot be used for assessing the long term solvency of pension funds(VaR was never intended to be an accurate measure for long-term risk). Requiring funding based upon flawed calculations will cause a false sense of security and will not in any way reach the desired result. AMONIS OFP asks EIOPA to warn that applying Solvency II rules to pension funds would mean a drastic increase in required assets. This is due to the use of different (lower) rates of discounting the liabilities and the implementation of (higher) capital requirements. The capital requirements aim to provide a high level of pension security in the short term, which would come at a very high price. - Pension funds would have to ask their sponsors and employees for extra support. It is unclear whether they would be able to / ready to provide this extra money or these required additional assets. If that is not possible/not the case, this will lead to lower benefits or even lead to closing down of the pension schemes. AMONIS OFP is also concerned that Solvency II capital requirements could lead to a de-risking of investment portfolios, threatening future returns and thus benefit levels. Additional systemic risks are apparent. - The fundamental premise in the call for advice is that supervisory regulation should be risk-based. This concept is extended to imply that capital requirements are needed and should also be risk-based. AMONIS OFP disagrees with this conclusion. We believe that is possible to adopt risk-based regulation without the necessity to impose risk-based capital requirements. Firstly, occupational pension systems are, in a sense, self-regulating in that it is the sponsor's utmost priority that	

			contributions to the scheme are stable. Companies whose pension costs are unpredictable and erroneous are severely punished by the capital markets. It is, therefore, in the employer's interest to ensure that the pension funds risk/return profile leads to stable contributions. This objective translates into a benefit design and asset allocation (regardless if it is decided upon unilaterally by the employer or collective bargaining by social partners) that precludes excessive risk. In effect, the risk profile of the IORP is calibrated to the risk the sponsor is willing and able to bear (i.e. the sponsor's risk budget). Introducing capital requirements that are risk based (i.e. the higher the risk, the higher the capital requirement) are unnecessary and, we would argue, increase the risk of the scheme and therefore the risk to the member. First of all, as outlined above, risky assets already have a "charge" against them in the sense of that they consume a higher proportion of the risk budget. Imposing an additional charge is unwarranted and will disproportionally reduce the IORPs incentive to invest in assets which would otherwise provide an attractive long-term return or at as a diversifier of risk. The same applies to liability risk. Identifying, quantifying and modelling duration and longevity risks are an important part of the risk management process within IORPs. These risks place a charge on the risk budget. Imposing an additional capital charge is doubling and therefore superfluous. To highlight why imposing risk-based capital requirements could in fact increase risk consider periods of high capital market volatility. High capital market volatility increases the risk of underfunding. If, at the same time, the capital requirements also increase, the sponsor will be exposed to a double increase in contributions to the IORP (contrary to insurance companies	

			where there exist shareholders, where the sponsor and the shareholder will split the burden). This may coincide with a period of economic stress in the real economy to which the employers business may also be exposed. This will be compounded by the additional cash contribution requirement to the IORP as well as the negative outlook on the sponsoring employer expressed by analysts and rating agencies. In the end, will the member than not only be exposed to the risk of the scheme becoming unaffordable to the sponsor but also the risk of becoming retrenched should the employer suffer as a result. - It is totally unclear which impact the valuation of the sponsor will have on the balance sheets of the sponsor/employer, which implies a real risk that this sponsor covenants in a next step, will have to be funded. Preliminary discussions with auditors of employers learns us that they will probably require that the employers will recognize these covenants (which do represent real liabilities of the pension funds but only a overfunding / extra risk buffer) as a liability on their balance sheets. - Not only the retirees, employers and employees would be affected by a Solvency II regime for IORPs. Negative effects on the total European economy. Higher pension contributions and sponsor support automatically lead to higher labour costs and that will make the European economy (or at least the ones of the member states where the IORP directive will have a material relevance) less competitive. In addition, less capital will be available for investments which will have a negative impact on employment. Lower pension benefits will hurt the purchasing power of future retirees and thus the consumption in Europe. - As a consequence of derisking investment portfolios there would also be less capital available to companies. It would not only mean lower expected returns and therefore lower pensions	

			or higher contributions, but also less available capital for companies. Pension funds are important suppliers of capital to listed European multinational corporations, small and medium-sized enterprises (SMEs) as well as a great number of innovative start-ups. A Solvency II regime for IORPs will excessively limit their opportunities. This outcome would have a negative impact on employment in the European Union. The proposed revision is not in line with Europe 2020 Strategy. In addition, we are concerned that the EU debt crisis has already reduced FDI in European companies - The approach is too cumbersome to work with and neither the implementation measures nor the impact are very clear. Assumptions are accumulated, and create insecurities. An important model risk will appear. Taking the forgoing and our remarks about the general review of the directive in consideration, AMONIS OFP is strongly in favour of option 2.	
10.	ANIA – Association of Italian Insurers	12.	The ANIA understands the holistic balance sheet proposal as an approach, similar to the economic balance sheet approach of Solvency II but adding the pension funds' specific security mechanisms in the balance sheet. Moreover, due to the fact that this approach is new and to the very short consultation period, the ANIA is unable to fully assess EIOPA's approach. As such, the ANIA welcomes EIOPA's commitment to launch a Quantitative Impact Study (QIS) in 2012The QIS should allow the ANIA and other stakeholders to understand the functioning and impact of the holistic balance sheet. Furthermore, this exercise should also be used as an opportunity to assess the solutions found under Solvency II to deal with the concerns of excessive volatility and long term guarantees. Finally, the QIS	Noted. EIOPA agrees that quantitative impact and cost/benefit analysis are important for a final decision.

			should contribute to better assess the existence of a level playing field between Insurers providing occupational pension products and IORPs. In this regard, the ANIA invites EIOPA to not only perform the QIS on pension funds but also to include some insurance companies providing occupational pension products. This would also allow compare the situations of insurers subject to Solvency II and IORPs subject to the revised IORP Directive. The ANIA is of the opinion that a decision can only be taken on some of the key issues addressed in EIOPA's consultation after a carefully executed QIS. The ANIA wishes to stress however that Solvency II should remain the basis - in any approach - to set the capital requirements for financial institutions providing occupational pension products. Moreover, where pension funds use similar security mechanisms as insurers a similar approach needs to be taken, especially if the IORP underwrites the liability or parts thereof. In addition, it should be made clear to supervisors and members/beneficiaries who bears the risk. This should be made clear through the information provided.	
11.	AON HEWITT	12.	The case for changing to a harmonised approach has not yet been made. We agree that a full cost benefit analysis would be required, in line with your comments at paragraph 8.2.38, and it seems likely that the significant additional costs may outweigh any benefits, particularly as it is far from clear what steps might be taken where a holistic balance sheet indicated that a scheme was insolvent (see below). Having different regulatory regimes applying to different types of pension vehicle is not in itself a problem. It only becomes a problem if pension vehicles subject to one or more or the differing regimes generate unsatisfactory outcomes too often as	Noted. EIOPA agrees that quantitative impact and cost/benefit analysis are important for a final decision.

			a result of weakness in that regime. Neither the EC nor EIOPA have demonstrated that this is the case. Many of the issues in adopting a holistic balance sheet approach will be contained in the details – one key area of uncertainty is how the employer covenant will be allowed for. The existence of a scheme sponsor is a significant feature which should be reflected in any funding regime. This means that a distinction between the various categories on IORP will be required. A suitable outcome could be produced though either distinct frameworks or a single "flexible" framework. Consideration of what steps might flow from an insolvent balance sheet should be central to the cost benefit analysis. Unlike many insurance companies, sponsor backed IORPs are not profit making organisations. An insurer that falls below the SCR will not be able to write new business and therefore has a strong incentive to rectify the position. In contrast, it is not clear what sanctions could be imposed on an IORP that fails to meet the requirements. They will have no motivation for seeking to raise additional capital from shareholders. Many employers in the UK are already paying in as high contributions as they can reasonably afford. Imposing significantly more demanding requirements for contributions could force some companies into insolvency and have a detrimental impact on economic growth. In addition, moving cash from the sponsor to the IORP may not help the "holistic balance sheet". There is no point in imposing vast costs performing the very complex calculations implied by Solvency II unless this produces real improvements in actual outcomes, not just better measurement but with no change to outcomes. The consultation paper does not address the question of what actions if any could	

			be required where the "Holistic Balance Sheet" strength falls below the benchmark. It should be noted that it appears likely that, for a significant proportion of plans and their sponsors, the "Holistic Balance Sheet" strength would fall below the benchmark on day one. By way of illustrating the practical issues posed by this proposal, we have carried out some preliminary modelling, which we would be pleased to share and develop with EIOPA. In the absence of clarity on the definitions of assets (eg sponsor covenant) and liabilities (buy out or beyond?) we have carried out some simple modeling of the FTSE 350 companies. We have estimated discontinuance deficits as at 8 December 2011, using some VERY broad brush assumptions from published accounting deficits to discontinuance (by way of explanation simple basis changes tend to break down at times of stress such as negative real rates currently experienced in the UK). These deficits have been compared with Market Capitalization of sponsor, as provided by DataStream, as at 8 December 2011. The results are illustrated and summarised below.	
12.	Association Française de la Gestion financière (AF	12.	The "holistic balance sheet" does not appear to be an appropriate solution. We believe that the requirement to provide additional capital and risk buffers will increase the costs of providing pensions which will operate to reduce the attractiveness of providing workplace savings schemes and potentially reduce benefits for pension savers. It is not clear that employees or DC plan participants would be able to understand the need for these additional buffers.	The holistic balance sheet is a methodological concept only, and the issue of what basis should be adopted for calculation is a separate issue which is considered in chapters 9 and 10.
13.	Association of British	12.	It should be noted that the ABI's comments on the technical	Noted.

	Insurers		aspects of the capital requirements below are very much secondary to our view that Solvency II is not an appropriate benchmark for this part of the IORP Directive. We welcome that under the holistic balance sheet (HBS) approach allowance has been made for the sponsor covenant and Pension Protection Fund. We are however concerned that EIOPA has not provided an outline of how the sponsor covenant should be valued. We would only be able to accept the removal of the distinction between IORPs once we understand how the valuation of sponsor covenant will work in practice. This calculation will be a crucial part for employer backed IORPs and given the complex nature of any potential valuation this will affect our view on whether the holistic balance sheet approach can truly account for the risks faced by members of UK Defined Benefit schemes. In addition to the valuation of the sponsor covenant, we also have concerns around how pension protection funds will be valued and what affect they would have on the solvency capital requirement (SCR). Finally we would also seek clarification of how pension funds that purchase insurance products such as buy-out or longevity insurance would be treated under the HBS approach.	EIOPA recognises that there is much further development needed to implement the HBS concept, and that complexity and proportionality are very important issues.
14.	Association of Consulting Actuaries (UK)	12.	IORPs are not insurance companies. Employers wish to remunerate their employees with pension in retirement for many reasons that have built up over the years, but including a wish to have orderly succession planning so that employees are adequately provided for at a time of life when they may be becoming less productive and they may wish to retire themselves. Other means of providing for retirement are available, but the employer-sponsored system is one that has worked well over the years.	Noted. EIOPA recognises that there is much further development needed to implement the HBS concept.

			The employers that establish IORPs are, for the vast majority, not in the business of running insurance companies. They are not, certainly in the UK, in competition with insurance companies or each other, in that they are not trying to win IORP members from insurers or other IORPs. If the IORPs that they sponsor become subject to the full capital requirements for insurance companies, there is no doubt that the current trend away from funded defined benefit pension provision will accelerate. The replacement defined contribution schemes that are established instead lead to all investment and other risks falling on the employee. The difficulties with placing formal monetary value on the strength of the sponsor covenant are massively understated in the consultation. Practical experience in the UK (given the range of sponsors from asset-rich to asset-light, cash generative commercial organisations to non-profit organisations etc) demonstrates such assessments are prone either to be hugely expensive, multi-disciplinary and time-consuming exercises, or to be shallow, for example the Dun & Bradstreet analysis used for the UK Pension Protection Fund, which we assume is the arrangement referred to in paragraph 9.3.202, or incomplete, for example relying on corporate bonds or credit default swaps to give an indication of default risk, when many sponsors are not the subject of such instruments. Even a limited exercise such as the valuation of intangible assets such as "brand" is fraught with difficulty and subjective opinion. In addition consider for example a sponsor which has substantial free cash reserves on its balance sheet at the date of the valuation but where the parent could "sweep" the cash overnight (c.f. Lehmans, where billions were transferred to the USA very shortly (hours) prior to collapse). What is the value of such a covenant? And if you cannot legally and formally count on it,	

			why attempt to account for it? You could very easily paint a misleadingly gloomy or rosy picture. Either would be equally bad. Consider also the difficulties of disclosure, particularly with overseas (e.g. Japanese) parent companies in private ownership, who are and continue to be wholly supportive of the IORP but which will not make (wide) disclosure of their management accounts? We would agree it may be appropriate to retain the distinction between the two types of IORP. The Article 17(1) IORPs have the greatest similarity to insurers, in that there is no external body to which they can turn for support if their assets prove to be insufficient to fund their promised benefits. Sponsor-supported IORPs can turn to the sponsor, an entity involved in producing profits, if they need support to meet members' benefits. In retaining this distinction, it will be necessary not to introduce any de facto end-point, where sponsor-supported IORPs ultimately have to fund as per 17(1) IORPs, owing to a contingent risk of insolvency. It is this false premise that appears to underlie the desire to impose insurance style solvency on IORPs. The primary protection against insolvency is the Pension Protection Fund in the UK, or various other insurance mechanisms in other countries. To insist that IORPs are effectively similar to insurance companies, thus compelling sponsors to move funds out of economically effective working capital and into economically ineffective risk-free assets, is misplaced, highly damaging and counter-productive.	
15.	Association of French Insurers (FFSA)	12.	25. The FFSA considers that the Holistic Balance Sheet could be a good tool for the assessment of the overall financial statement of the IORP. It would be seen as a prudential supervisory solvency assessment tool. In the FFSA opinion, the	Noted

			Holistic Balance Sheet goes in the direction of greater transparency and disclosure, and would make comparable all the institutions together. This approach would acknowledge the existing variety of occupational pension systems and yet would capture all these systems into a single balance sheet. 26. In a competitive environment, the beneficiaries could then make their choice knowing precisely who bears the risk. The protection of beneficiaries should be strengthened by disclosure requirements under Pillar III of the future IORP directive. 27. HBS will only be relevant if based on a fully harmonised risk's measurements. For instance, there must be consistency between interest rates, pension protection scheme and insurance Guarantee Scheme... The HBS should be made public.	
16.	Association of Pensioneer Trustees in Ireland	12.	We think the requirement to prepare a holistic balance sheet is disproportionate for defined contribution IORPS, especially one member arrangements. In this case, the liabilities are exactly matched by assets and there is no reliance on intangible assets such as an employer covenant. A requirement to hold additional capital would be completely disproportionate, particularly in the current economic climate. For one member arrangements in particular, the member who would be the perceived beneficiary of the additional security would typically be the same member who would have to provide the additional capital.	Noted. EIOPA recognises that there is much further development needed to implement the HBS concept, and that complexity and proportionality are very important issues.
17.	Assoprevidenza – Italian Association for supplemen	12.	We appreciate the EIOPA analysis on specific characteritics of IORP. We agree with holistic approach. We would rather like to talk	Noted

			about a holistic approach, rather than of a holistic balance sheet. The holistic approach should be seen as a prudential supervisory solvency assessment tool rather than a "usual" balance sheet based on generally agreed accounting standards. The term "holistic" allows to take into consideration intangible elements like some security and benefit adjustment mechanisms, i.e., it includes all economic exposures to which IORPs are exposed, whether or not the elements would be on or off balance sheet in an accounting sense. Any decision over these matter should be taken at the political level since there might be relevant impacts over the structure and nature of occupational pension schemes in Member States. The nature of the commitment taken by the pension vehicle is essential to design its supervisory framework. Not taking the nature of the commitment into account, would lead to a de-level playing field between different vehicles. So we have to review the IORP Directive in a way that is flexible enough to allow for all kinds of IORPs through the holistic approach in order to ensure that it fully reflects the different security mechanisms. The holistic approach could be used to judge the sustainability of a pension scheme or system independent of the vehicle which is used to finance it. The analysis of the security and sustainability of the pension scheme goes and should go beyond the IORP directive as it applies to all pension schemes or systems independent of the vehicle that is used. The EC could address this in the forthcoming white paper on pensions or take a separate initiative. IORPs would then consider elements that are beyond the IORP itself and that are key differences from insurance. This could be seen as representing the interrelation between social aspects and prudential aspects within the field of occupational pensions.	

			Particularly: - the ability to rely to sponsor support and/or pensions protection schemes; - benefit adjustment mechanisms; - supervisory standards applied, even if some regulatory differences should not be material. The holistic approach has to allow for IORPs make use of differing security mechanisms so long as the overall level of security provided is similar or ideally the same. The holistic approach can allow to remove distinction in art. 17, because differences between different kind of schemes came from differences on security level From a more technical point of view, we agree with: Best estimate: It should take into consideration the distinction between guaranteed and conditional benefits (and possibly discretionary benefits) including the existence of benefit adjustment mechanisms. A distinction between the best estimate of the guaranteed and conditional benefits should be made visible. The extent of benefits to be evaluated and the actuarial method to be used will also influence this component. Risk buffer margin for deviations calculated according to the current IORP Directive where the buffer is not related to the concept of transfer of liabilities but to the risk of adverse deviations of assumptions (expected normal fluctuations above the best estimate). Under the current IORP Directive approach this option would correspond to a situation where the technical provisions are segregated into a best estimate plus a margin for deviation whereas the prudence in the assumptions would become explicit.	

18.	Assuralia	12.	Chapter 8: Quantitative requirements What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor–backed IORPs should be retained or removed? The members of Assuralia are managing more than 80% of occupational pensions in Belgium. They include mutual, co-operative, joint-stock and limited insurance companies. The response hereunder needs to be understood together with the following remarks: 1/ With state pensions under pressure it is necessary to ensure that occupational pensions are safe and affordable. Prudential rules and capital requirements for long-term pension business must consistently protect all pension beneficiaries, regardless of whether they are affiliated with an insurance company or an IORP. 2/ Prudential rules and capital requirements must respect the long-term perspective of occupational pension provision without resulting in excessive volatility of own funds and solvency ratios.☐ The European Commission and the European Parliament are presently considering these issues in the context of the Omnibus II directive and the Solvency II implementing measures. 3/ To the extent that differences between regimes are not justified (as stated by draft response nr. 2.6.2), Solvency II and IORP II need to be aligned in order to achieve a consistent level	Noted EIOPA recognises that the IORP Directive must respect the primacy of national social and labour law

			of protection of beneficiaries: a) With regard to the pension institutions, there seems to be no reason not to apply a prudential regime equivalent to Solvency II to IORPs to the extent that they bear a certain risk (e.g. operational risk). This goes both for quantitative and qualitative requirements. b) With regard to the pension obligation as such, Solvency II rules seem to be adequate to quantify at least the liabilities of the total pension obligation. On the asset side, we would suggest a very cautious approach with regard to the idea of recognizing sponsor covenants and pension protection plans as assets to cover the liabilities of an IORP in the newly proposed Holistic Balance Sheet (HBS). Appropriate transitional regimes and sufficiently long recovery periods may be a better alternative to cope with a situation where the tangible assets held by IORPs do not cover pension liabilities sufficiently. 4/ The objective of European prudential requirements is to ensure that beneficiaries all over the EU can reasonably trust that they will effectively receive the occupational pension benefits that have been promised to them (harmonized security level).☐ These requirements set the practical and financial boundaries of what can realistically be promised and therefore need to be respected by national rules and agreements in the social field. I. The HBS as a response to the specificities of IORPs In our understanding, the HBS is a method to acknowledge the specificities of IORPs as compared to insurance companies. The draft response mentions a number of specificities that would	

			potentially explain why IORPs are to be treated differently from insurance companies when it comes to prudential supervision (draft response nrs. 2.6.5.-2.6.8). Examined from the Belgian perspective, most of those specificities seem to be assumptions rather than facts, however: a. The first specificity suggested by the draft response regards the context of social and labour law in which IORPs operate. The experience in Belgium shows that the context of social and labour law is specific for occupational pensions rather than for the entities that manage them. Social and labour law requirements imposed on occupational pensions in Belgium are identical for IORPs and insurance companies.☐ They both manage pension plans that are agreed upon by means of collective labour agreements between social partners, on the level of an individual company or on the level of an economic sector (f.e. the food industry and the construction industry). b. The draft response also suggests that employers and beneficiaries may be more committed to provide capital to their IORP than the shareholders of an insurance company (draft response nr. 2.6.6.). This argument does not seem to be rock-solid: - The value of the commitment of any party to provide capital in adverse events is a fact that needs to be assessed in practice and cannot be assumed. Shareholders of insurance companies may just as well be a stronger and more diversified source of funding than a single sponsoring employer, especially in adverse economic circumstances. The commitment of employers to provide capital is not only depending on the accessibility of the commitment itself (draft response nr. 9.3.212), but also on the capacity to provide that capital (draft response nrs. 9.3.193 to 9.3.215).	

			- Solvency II provides a risk-based framework and terminology that can be used for such an assessment. A defined benefit pension obligation organized by means of a unit linked life pension plan of an insurance company is for example very similar to a defined benefit obligation managed via a sponsor backed IORP. Moreover, the mechanism of members being asked to provide additional capital in the event of a shortfall is recognized in Solvency II for mutual insurance companies that are confronted with financial difficulties. This approach can be used for IORPs. c. The draft response finally highlights that proportionality is particularly important for IORPs because supervisory authorities do not have the practical capacity to supervise the 140.000 IORPs in the same depth as the 4.753 insurance companies presently existing in the EU. We limit our comments here by stating that - the application of proportionality in the context of Solvency II does not lead to less intense prudential supervision for insurers of smaller size. Solvency II does not distinguish between small and large insurers, but focuses on the nature and the complexity of the risks that are involved. - the HBS approach could be limited to cases where the costs linked to the HBS are justified by the nature and complexity of the pension plan's risks. Take the example of multi-employer funds: The modalities of features that may be considered for pension plans (e.g. sponsor covenants or benefit haircuts) will often be tailor-made per employer and influenced by national legislation. It is technically complex and costly to properly account for the different characteristics of all plans managed by such a multi-employer IORP. - solutions to practical capacity problems may be found in	

			setting up firm internal control and governance structures (pillar II). Outsourcing a number of controls to independent third parties such as auditors may contribute to achieving a workable supervisory regime also. Under the umbrella of proportionality, it is sometimes also argued that sponsor backed pensions are ancillary to the main business focus of employers and should therefore be under less demanding prudential requirements than insurers. The opposite seems to be true. A fortiori when employers are not focused on the occupational pensions they have promised, prudential standards are essential to protect beneficiaries. II. The holistic balance sheet (HBS) From what we understand from the draft response, the objective of the holistic balance sheet (HBS) is to provide a framework that enables the European Institutions to harmonize the level of security of all pension plans that involve an IORP to some extent (draft response nrs. 8.1.2-8.1.4).☐ It offers a new conceptual framework to identify and regulate explicitly how and by whom a number of risks linked to the provision of the occupational pension plan are borne. Risks linked to pension obligations can be explicitly measured and accounted for in the HBS (draft response nr. 8.1.4), regardless of whether the employer or the IORP is bearing the risk.☐ In the context of such an HBS, there seems to be little reason to distinguish between article 17 (1) IORPs, SB IORPs and mixed article 17(3) IORPs.	

			There is a need to clarify the role of the HBS and what it is actually meant to depict, however. The draft response leaves room for at least two interpretations: a 'holistic' interpretation (A.) as well as a 'narrow' interpretation (B.). A. The 'holistic' interpretation of the HBS One possibility is to picture the initial employer's total pension obligation from the perspective of the employee/beneficiary, including "elements that go beyond the IORP itself" (draft response nr. 8.3.8). This holistic HBS would include those risks that are not managed via an IORP (incl. the part demarcated by dotted lines in the figure hereunder), i.e. the risks that the employer would have to acknowledge as risks not covered by a third party in the context of IFRS/IAS 19.☐ This approach provides an overview on the financial soundness of occupational pensions in which IORPs are involved and offers supervisory authorities the opportunity to supervise and protect the actual total pension rights of beneficiaries. This seems fair. In practical terms, the 'holistic' interpretation of the HBS would have as a consequence that the balance sheet of the IORP itself would differ (significantly) from the holistic balance sheet of the pension obligation as a whole:	

			a) Article 17(1) IORPs provide guarantees or biometric cover themselves, with the employer not being obliged to provide any support. The balance sheet of such an IORP pictures its own assets and liabilities, including the solvency buffer (consistent with Solvency II). The HBS on the contrary includes the IORPs' assets and liabilities as well as the remaining part of the pension obligation that is managed by the employer outside of the IORP (if any). b) Sponsor backed IORPs (SB) do not cover risks with regard to the pension obligation itself but rely on the sponsoring employer to provide additional support to make up losses incurred. The employer bears the risk and uses the IORP as a vehicle to execute (part of) the pension obligation in practice. The HBS would for those IORPs correspond with the pension part that is managed outside of the IORP plus the balance sheet of the IORP (including to some extent security mechanisms such as sponsor support). ☐ The 'holistic' interpretation of the HBS regards the total pension obligation of the employer. It therefore resembles to some extent the IFRS/IAS 19 reporting requirements for employers. It would be useful to examine the similarities and differences between IFRS/IAS 19 and the holistic HBS.	

			B. The ‘narrow’ interpretation of the HBS Another possibility would be to develop an HBS that would only picture the risks that are managed via the IORP. This HBS may help supervisors to control IORPs of different kinds with a consistent conceptual framework, as shown in the figure hereunder. It may also result in one balance sheet being applied to an IORP, instead of the two balance sheets that co-exist in the ‘holistic’ interpretation of the HBS (cfr. supra : point A.). The narrow interpretation of the HBS entails a number of concerns. The figure hereunder shows that the HBS does not allow supervisors to take the beneficiaries’ point of view vis-à-vis the security of the total pension obligation. The decision of the employer to manage a pension risk via the IORP or not would in this scenario determine whether the risk appears on the supervisor’s monitor. Giving the employer such a discretionary power seems to contradict the objective of effectively protecting the pension rights of beneficiaries. ☐ III. Key features linked to the HBS	

			The use of Solvency II principles to quantify the liabilities linked to a pension obligation may potentially reveal that the liabilities managed via the IORP are more important than assumed at present (among others because of including a 'risk margin'). The HBS described in the draft response allows employers to cover these revealed liabilities with 'intangible' features such as the possibility of benefit reduction, sponsor covenants and pension protection plans rather than with tangible assets (e.g. bonds and equity). Benefit reduction, sponsor covenants and pension protection plans are in that sense key features of the HBS. The described HBS essentially allows supervisors to avoid that IORP II would require sponsors of an IORP to cover a number of actual pension liabilities with tangible assets. It seems reasonable to look for ways to avoid a sudden upheaval of occupational pensions that would be detrimental for pension beneficiaries. At the same time however, ignoring that real pension liabilities will at predetermined points in time need to be covered with real assets is damaging for pension beneficiaries just as well. Appropriate transitional regimes and sufficiently long recovery periods may be a better alternative. They would avoid sudden upheaval while progressively evolving to a situation where liabilities are sufficiently covered by real assets in all member states of the EU. This alternative underlines the need for caution with regard to sponsor covenants and pension protection plans. 1. The sponsor covenant	

			A sponsor covenant is a financial resource for any pension vehicle. To the extend that a sponsor covenant is solid and situated within the time horizon used to determine the security level of the pension plan, one could fairly regard it as an asset. A number of comments in this regard: 1/ Sponsor covenants that do not legally or contractually oblige the employer to finance the IORP cannot be taken into account as an asset to cover the liabilities of the IORP. 2/ The value of the sponsor covenant as an asset depends on the financial strength of the employer and it is a fact that adverse events that hit the IORP could hit the employer at the same time (default risk correlation). 3/ The financial strength of the employer becomes weaker when the deficit of the IORP grows. The bigger the problem on the liabilities' side of the IORP grows, the lower the covering capacity of the sponsor covenant becomes because of the increased risk of default of the employer. The value of the employer covenant is therefore dynamic and should not be overestimated. 4/ It seems technically logical not to use sponsor covenants as an asset if they are situated out of the time horizon used to determine the confidence level. The fact that such a sponsor covenant is available can be mentioned in pillar II governance measures, however. 5/ A sponsor covenant that is regarded as an asset in the balance sheet of the IORP would logically need to be mirrored somehow in the balance sheet of the sponsoring employer. This raises the question of overlap/differences with other disclosure tools such as IFRS/IAS19.	

			2. Pension protection schemes Pension protection schemes (PPS) are last resort protection mechanisms that intervene in case of bankruptcy of the pension vehicle or the plan sponsor. They are to a large extent comparable with insurance guarantee schemes. The draft paper considers whether the existence of such PPS should be accounted for in the HBS, thereby allowing a PPS to cover technical provisions and risk buffers. We propose caution when reflecting on PPS to cover the technical provisions and risk buffers of IORPs. The dangers of covering solvency capital and/or technical provisions by a PPS are considerable: a. PPS are last resort protection mechanisms that redistribute the consequences of bankruptcy of the pension vehicle or the plan sponsor over the market or tax payers. Allowing PPS to cover technical provisions and risk buffers will provide an incentive for pension vehicles and plan sponsors to take undesirable levels of risk ('moral hazard'). b. A call on the full capacity of PPS would entail considerable risks for society. By introducing a PPS public authorities assume the final responsibility for the occupational pensions that have been promised by employers. Although PPS are important to restore and maintain confidence, it is fair to say that the more technical provisions and solvency buffers are being covered by a pension protection plan in the HBS, the more the liability of the state grows. Counting on such large state interventions economically comes down to transferring (part of) the cost of occupational pensions to future generations of tax-payers. It does not help to achieve the European Commission's objective of creating adequate, safe and sustainable pensions (cfr. Green Paper on Pensions of 7 July 2010, p. 1).	

			The fact that PPS participation is not suitable to cover technical provisions or solvency capital does not mean that it is irrelevant. It could for example be useful for supervisors to regularly monitor the risk that the PPS implies for the market and (ultimately) for tax-payers.	
20.	Balfour Beatty plc	12.	What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs should be retained or removed? The concept of an holistic balance sheet only arises as a result of trying to make pensions fit into the Solvency II regime. As stated in the general points above we do not believe that it is appropriate to try and fit a regime designed for insurance companies to pension schemes which are fundamentally different. However, if such an approach is to be adopted then we strongly agree that account should be taken of the strength of the employer's covenant. We are concerned though as to the work that may be involved in assessing the strength of the covenant and also how consistency between employers would be achieved. Valuing the covenant could be an expensive process even for strong entities. As mentioned in the general points above, additional costs on sponsoring employers of IORPS (and in the UK such costs will fall to sponsoring employers either directly or through the funding requirements) should be avoided as pension	Noted. The holistic balance sheet is a methodological concept only, and the issue of what basis should be adopted for calculation is a separate issue which is considered in chapters 9 and 10. EIOPA recognises that quantitative impact and cost/benefit analysis are important for a final decision.

			benefits are already expensive to provide.	
21.	BARNETT WADDINGHAM LLP	12.	We do not support the "holistic balance sheet" proposal for a number of reasons and believe it could have significant adverse consequences if implemented in the UK. We also believe that the distinction between the two types of IORPs should be retained. There are fundamental differences between insurance companies and IORPs; defined benefit occupational pension schemes were not designed to be funded to insurance company levels and are not run on a competitive or profit making basis. In addition, benefits can be changed post retirement (e.g. discretionary benefits can be granted or the "shape" of benefits can be changed) as well as pre retirement. Employers that sponsor pension schemes support those schemes by making funding contributions as and when it is required and in accordance with legislative requirements. IORPs are also often significantly smaller than insurance companies. It is crucial to appreciate that while a scheme sponsor remains in business and solvent, benefits are paid out in full and under-funding of pension schemes does not impact on benefits. If a sponsor runs into financial difficulty and ultimately becomes insolvent and if sufficient assets cannot be recovered for benefits to be purchased with an insurance company, then the UK Pension Protection Fund (PPF) will pay compensation to the pension scheme members. The existence of the PPF means that it is not necessary, and not appropriate, for sponsor-backed IORPs to be treated in the same way as Article 17 (1) schemes	Noted. The holistic balance sheet is a methodological concept only, and the issue of what basis should be adopted for calculation is a separate issue which is considered in chapters 9 and 10.

			and we note that we do not believe the PPF is failing to meet its objectives. Insurance companies, on the other hand, are competitive with each other, they are run to make a profit and cannot rely on additional funding once a contract has been written. Benefits are also fixed at the point the contract is written. It is therefore entirely reasonably (indeed vital) that insurance companies and IORPs are legislated for separately, to reflect their fundamental differences in nature. We believe that were the "holistic balance sheet" proposal to be implemented, then this would lead to future benefit accrual being reduced in many more cases and many more defined benefit schemes being closed completely to future accrual, ultimately leading to potentially lower pension provision at retirement for the current workforce (typically employers replace defined benefit accrual with a defined contribution arrangement at a lower level of cost). It would also be likely to lead to increased contributions being required from many employees, which could be unaffordable for some. Further, the dramatically increased funding burdens on sponsors in respect of already accrued liabilities could ultimately lead to a number of employer insolvencies (as capital that could be better used elsewhere in the business is directed to the pension scheme instead), which would inevitably lead to more pension scheme members receiving compensation from the PPF. Overall security of benefits is therefore diminished for those members of pension schemes who are impacted in this way.	

			Employer covenant is already taken into account in the actuarial advice on deriving assumptions, for funding purposes. However we note that assessing employer covenant can be extremely complex and by definition is a subjective exercise which is carried out at a point in time. In many cases, it can be a relatively expensive exercise to complete. In our view therefore, a requirement to place a monetary value on such an assessment is unlikely to be beneficial and worse still, could be potentially misleading. Indeed past performance of credit rating agencies has proved that it can be extremely difficult to form meaningful external assessments of an entity's financial strength (especially at times when they are most needed). We do not therefore support a requirement to quantify sponsor covenant in this way and believe it will serve to increase costs and management time for businesses unnecessarily. A further concern with the proposal is regarding the use of the risk-free discount rate, which we believe is inappropriate, unaffordable and unnecessary. This would be likely to lead to a net disinvestment from equities which could lead to further falls in the equity market. Also, demand for bonds would be likely to increase which would, in turn, lead to lower bond yields and therefore further increased liability values and yet more financial strain for employers. This would also adversely affect other investors including those with Defined Contribution pension schemes. Our final concern is regarding the discrepancy between the treatment of funded sponsor-backed IORPs and book reserve systems. It does not seem fair that the proposed measures exclude book reserve and "pay as you go" schemes and indeed it	

			seems like this would encourage more book reserve schemes and fewer funded IORPs, thereby defeating the aim of increased security for members. In summary, in our view the holistic balance sheet approach could have negative financial consequences for many financially strong UK employers and could be just as damaging as Solvency II applied to pension schemes. We do not believe there is any justification for treating sponsor-backed IORPs and Article 17 (1) schemes (two fundamentally different types of scheme) in the same way and if this is what “harmonisation” means then we do not support harmonisation.	
22.	BASF SE	12.	We believe that the holistic balance sheet proposal is not an appropriate approach for supervisoring of IORPs. First, that such an intention is neither reasonable nor realisable, since significant politically and technically agreed adjustments to the IORP Directive will be required in order to ensure compatibility across all IORPs. Furthermore, significant flexibility would be needed in the approach to take the heterogeneity of the landscape of IORP into account. Workplace pensions are based on social and cultural traditions and strongly linked to first pillar pension provisions in the different Member States. Pension security is about much more than just scheme funding levels alone, and a single approach to pension security, which only focuses on short term solvency will jeopardize many existing European pension systems. We are of the opinion that the technical requirements for such	Noted. The holistic balance sheet is a methodological concept only, and the issue of what basis should be adopted for calculation is a separate issue which is considered in chapters 9 and 10. The question of a common level of security is a matter for political decision.

			an approach would overburden national legislator, supervisory authorities, IORPs and sponsors, both from the political and the technical perspective. Furthermore, we believe that because it is currently totally unclear how and which of the essential characteristics of IORPs will be considered in the quantitative calculation model, it is not possible to assess the implications of the approach considered in the CfA. The holistic balance sheet approach assumes a priori an unadapted application of the Solvency II model i.e. market consistent valuation of assets and liabilities, a one year time horizon, 99.5% confidence level etc. Applying Solvency II rules to pension funds would mean a drastic increase in required assets. For an average German Pensionkasse requirements on own funds will rise by approximately 40 to 50% of the balance sheet sum or of the sum of the technical provisions. This means an increase in solcency capital requirements by the factor of 8 to 10 or with respect to all Pensionskassen in Germany an additional funding requirement of approximately € 35-45 billion. The main assumption of the holistic balance sheet approach is that the specialties of IORPs are considered as assets and may be used to cover the required additional solvency capital requirements mentioned above. However, in light of the additional funding requirements and against the background that it is currently totally unclear how and which of the specialties of IORPs will be considered, we believe that the HBA will not result in a sustainable outcome for IORPs and sponsoring undertakings.	
23.	Bayer AG	12.	What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction between Article 17 (1) IORPs, 17 (3) IORPs and sponsor backed	Noted

			IORPs should be retained or removed? No. We strongly recommend to maintain the clear distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs (policy option 1). As a consequence we reject the undifferentiated usage of the holistic balance sheet as a catch-all approach because it doesn't fit the diversity of European IORPs: In our opinion, the holistic balance sheet approach doesn't meet the characteristics of sponsor-backed IORPs and to some extent Article 17 (3) IORPs. A reasonable holistic balance sheet model implies that the value of the employer covenant (backed by the pension protection scheme) will have to be determined by the gap it is supposed to fill. This will be the gap between the financial assets on the one hand and technical provisions. IORPs should only be bound to hold additional assets above the technical provisions to the extent they are not sponsor-backed.	
24.	BDA Bundesvereinigung der Deutschen Arbeitgeberver	12.	What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction between Article 17 (1) IORPs, 17 (3) IORPs and sponsor backed IORPs should be retained or removed? We strongly recommend to maintain the clear distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs (policy option 1). As a consequence we reject the undifferentiated usage of the holistic balance sheet as a catch-all approach because it doesn't fit the diversity of European IORPs: In our opinion, the holistic balance sheet approach doesn't meet the characteristics of sponsor-backed IORPs and to some extent	Noted

			Article 17 (3) IORPs. A reasonable holistic balance sheet model implies that the value of the employer covenant (backed by the pension protection scheme) will have to be determined by the gap it is supposed to fill. This will be the gap between the financial assets on the one hand and technical provisions. IORPs should only be bound to hold additional assets above the technical provisions to the extent they are not sponsor-backed.	
25.	Belgian Association of Pension Institutions (BVPI-	12.	What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs should be retained or removed? BVPI-ABIP rejects the proposal of a holistic balance sheet. However it supports the idea of taking into account all the risk mitigating instruments that an IORP has. BVPI-ABIP is convinced that a fundamental and clear difference needs to be made between the pension fund (IORP) and the pension scheme/pension promise. The concept of the holistic approach might be an interesting concept (taking in consideration the technical remarks) for the evaluation of a pension scheme. It could therefore be used to judge the safety of a pension scheme independent from the vehicle that is used to finance it (IORP, insurance, book reserve ...). It might even be useful to evaluate the sustainability of systems functioning on a PAYG and/or mixed basis, and overcome eventually the taxonomy problems around 1st, 2nd pillar, etc.	Noted

			and make the security of pensions across Europe comparable. BVPI-ABIP considers however that the analysis of the security and sustainability of the pension scheme /pension promise goes and should go beyond the IORP (revised) directive (as it should apply to all pension schemes independent of the vehicle that is used) and would suggest that the European Commission could address this in the forthcoming White Paper on pensions or take a separate initiative on this (which could interfere but not be fully tackled by the review EIOPA suggested of the insolvency regulation 1346/2000). We consider however that the holistic balance sheet is not useful to be applied as a supervisionary tool for an IORP, because : - The regulation of the IORP should focus on the institution not on the scheme; Fundamentally prudential supervision is not the appropriate tool to tackle issues of social protection. Solvency II for insurance companies examines only the engagement made by the insurer and not the engagement between the sponsor and the beneficiaries. This is not necessary (like it is for all pension schemes in Belgium) equal to the pension scheme. - Occupational pensions are based on social and cultural traditions and strongly linked to first pillar pension provision in the different Member States. Pension security is about much more than scheme funding levels alone and a single approach to pension security, which only focuses on the short term	

			assessment of long term solvency will jeopardize many existing European pension systems. - As far as the solvency of a IORPing vehicle is concerned, BVPI-ABIP believes the nature of the commitment (if any) taken by the vehicle is essential to design its supervisory framework. It is clearly the case for the insurance companies in Solvency II, so not doing this would lead to a de-level playing field between different vehicles. There is a distinction between the commitment of the scheme sponsor, and the commitment taken by the pension institution. This is a strong argument in favour of maintaining the distinction referred to in Article 17. - The main assumptions underlying the holistic balance sheet approach are taken from the Solvency II model i.e. market consistent valuation of liabilities, VaR as risk measure. BVPI-ABIP asks EIOPA to advise that applying Solvency II rules to IORPs would mean a drastic increase in required assets. This is due to the use of different (lower) rates of discounting the liabilities and the implementation of (higher) capital requirements. The capital requirements aim to provide a high level of pension security in the short term, which would come at a very high price. - IORPs would have to ask their employer companies and employees for extra support. It is unclear whether they would be able to / be ready to provide this extra money or these required additional assets. If that is not possible/not the case, this will lead to lower benefits or even lead to a closing down of the pension schemes. BVPI-ABIP is also concerned that Solvency II capital requirements could lead to a de-risking of investment portfolios, threatening future returns and thus, benefit levels. - The fundamental premise in the call for advice is that supervisory regulation should be risk-based. This concept is	

			extended to imply that capital requirements are needed and should also be risk-based. BVPI-ABIP disagrees with this conclusion. We believe that is possible to adopt risk-based regulation without the necessity to impose risk-based capital requirements. Firstly, occupational pension systems are, in a sense, self-regulating it is the sponsor's utmost priority that contributions to the scheme are stable. Companies whose pension costs are unpredictable and erratic are severely punished by the capital markets. It is, therefore, in the employer's interest to ensure that the IORPs risk/return profile leads to stable contributions. This objective translates itself into a benefit design and asset allocation (regardless if it is decided upon unilaterally by the employer or collective bargaining by social partners) that precludes excessive risk. moreover, the risk profile of the IORP is calibrated to the risk the sponsor is willing and able to bear (i.e. the sponsor's risk budget). Introducing capital requirements that are risk based (i.e. the higher the risk, the higher the capital requirement) are unnecessary and, we would argue, increase the risk of the scheme and therefore the risk to the member. First of all, as outlined above, risky assets already have a "charge" against them in the sense of that they consume a higher proportion of the risk budget. Imposing an additional charge is unwarranted and will disproportionally reduce the IORPs incentive to invest in assets which would otherwise provide an attractive long-term return or as a diversifier of risk. The same applies to liability risk. Identifying, quantifying and modelling duration and longevity risks are an important part of the risk management process within IORPs. These risks place a charge on the risk budget. Imposing an additional capital charge is doubling and therefore superfluous.	

			To highlight why imposing risk-based capital requirements could in fact increase risk, do consider periods of high capital market volatility. High capital market volatility increases the risk of underfunding. If, at the same time, the capital requirements also increase, the sponsor will be exposed to a double increase in contributions to the IORP (contrary to insurance companies where there exist shareholders, where the sponsor and the shareholder will split the burden). This may coincide with a period of economic stress in the real economy to which the employers business may also be exposed. This will be compounded by the additional cash contribution requirement to the IORP as well as the negative outlook on the sponsoring employer expressed by analysts and rating agencies. In the end, the member will not only be exposed to the risk of the scheme becoming unaffordable to the sponsor but also in case of becoming retrenched the employer will suffer as a result. - It is in this totally unclear which impact the valuation of the sponsor will have on the balance sheets of the sponsor/employer, which implies a real risk that this sponsor covenants in a next step, should be funded. Preliminary discussions with auditors of employers learns us that they will probably require that the employers will recognize this covenants (which do represent real liabilities of the IORPs but only a overfunding / extra risk buffer) as a liability on their balance sheets. - Not only the retirees, employers and employees will be affected by a Solvency II regime for IORPs. Negative effects will be seen on the total European economy. Higher pension contributions and sponsor support automatically lead to higher labour costs and that will make the European economy (or at least the ones of the member states where the IORP directive will have a material relevance) less competitive. In addition, less	

			capital will be available for investments which will have a negative impact on employment. Lower pension benefits will hurt the purchasing power of future retirees and thus the consumption in Europe. - As a consequence of derisking investment portfolios there would also be less capital available to companies. It would not only mean lower expected returns and therefore lower pensions or higher contributions, but also less available capital for companies. IORPs are important suppliers of capital to listed European multinational corporations, small and medium-sized enterprises (SMEs) as well as a great number of innovative start-ups. A Solvency II regime for IORPs will excessively limit their opportunities. This outcome would have a negative impact on employment in the European Union. The proposed revision is not in line with Europe 2020 Strategy. In addition, we are concerned that the EU debt crisis has already reduced FDI in European companies - The approach is too cumbersome to work with and neither the implementation measures nor the impact are very clear. Assumptions are accumulated, and create insecurities. An important model risk will appear. Taking the forgoing and our remarks about the general review of the directive in consideration, BVPI-ABIP is strongly in favour of option 1 to "maintain the existing distinction between Article 17(1), Article 17(3) and sponsor backed IORPs in the review of the IORP Directive".	
26.	BNP Paribas Cardif	12.	BNP Paribas Cardif considers that the Holistic Balance Sheet could be a good tool for the assessment of the overall financial	Noted

			statement of the IORP. It would be seen as a prudential supervisory solvency assessment tool. In BNP Paribas Cardif opinion, the Holistic Balance Sheet goes in the direction of greater transparency and disclosure, and would make comparable all the institutions together. This approach would acknowledge the existing variety of occupational pension systems and yet would capture all these systems into a single balance sheet. In a competitive environment, the beneficiaries could then make their choice knowing precisely who bears the risk. The protection of beneficiaries should be strengthened by disclosure requirements under Pillar III of the future IORP directive. HBS will only be relevant if based on a fully harmonised risk's measurements. For instance, there must be consistency between interest rates, pension protection scheme and insurance Guarantee Scheme... The HBS should be made public.	
27.	Bosch Pensionsfonds AG	12.	We do not consider the holistic balance sheet a suitable tool for IORPs. It is a far too complex exercise. Employer covenant and pension protection schemes are essentially important security mechanisms for IORPs. Both together offer sufficient protection / security for an IORP and its beneficiaries. They should therefore be taken into account as part of a qualitative evaluation, making the proposed complex and costly quantitative calculation / requirements obsolete for IORPs. Additional aspect: A distinction should be made between for-profit and not-for-profit IORPs (to be determined according to	Noted. EIOPA recognises that there is much further development needed to implement the HBS concept, and that complexity and proportionality are very important issues.

			the statutes of the IORP).	
28.	Bosch-Group	12.	We do not consider the holistic balance sheet a suitable tool for IORPs. It is a far too complex exercise. Employer covenant and pension protection schemes are essentially important security mechanisms for IORPs. Both together offer sufficient protection / security for an IORP and its beneficiaries. They should therefore be taken into account as part of a qualitative evaluation, making the proposed complex and costly quantitative calculation / requirements obsolete for IORPs. Additional aspect: A distinction should be made between for-profit and not-for-profit IORPs (to be determined according to the statutes of the IORP).	Noted. EIOPA recognises that there is much further development needed to implement the HBS concept, and that complexity and proportionality are very important issues.
29.	BP plc	12.	We consider there is a fundamental distinction between sponsor backed IORPs and those which bear their own risks (and insurance companies). Any attempt to bring them into a common framework (e.g. using the holistic balance sheet) introduces a complexity which is unwarranted and will not of itself improve security for members. We therefore support option 1 as set out in 8.2.38. We comment below on a major issue in constructing an holistic balance sheet that would be required for option 2. We also do not consider that the positive impacts suggested for option 2 are material: ☐ Allows for a harmonised approach across all IORP types – there is no justification given for why this is desirable ☐ Allows for all available security mechanisms within a single approach – again there is no justification given for why	Noted. EIOPA recognises that there is much further development needed to implement the HBS concept.

			this is desirable and it wrongly assumes that all such mechanisms are capable of being dealt with in a single approach ☐ Allows for a high level of comparability across all IORPs – there is no justification given for why this is desirable and who would benefit from it ☐ Avoids that only a few countries are affected by a sub-category, like Article 17(1) – we do not see why this is a material issue; if some countires have different systems then the overall approach should cater for this. The most significant issue in the use of an holistic balance sheet is the need for a quantitative assessment of the sponsor covenant (and pension protection scheme if applicable). This issue is discussed in 9.3.198 to 9.3.203 where the complexity of it, and the need to allow approximations and qualitative assessments, is acknowledged. We agree with these comments but consider there is also a fundamental issue with placing a quantitative assessment on sponsor support. In most cases the question of whether or not a sponsor can meet any shortfall in coverage for an IORPS is a binary one depending on whether or not the sponsor remains solvent. Placing a quantitative value on support based on a probabilistic approach does not capture this effect. In practice the impact of sponsor covenant on funding requirements is a matter of judgement and cannot be quantified.	
C 30.	British Airways	12.	British Airways does not support the 'holistic balance sheet' proposal. British Airways believes that the distinction between types of IORP's should be retained. We do not support the 'holistic balance sheet' proposal. The long-term nature of pension liabilities means that the liquidity of assets to be held by pension	Noted

			schemes is not as relevant as it is for insurance companies. The regime in the UK provides a very robust way of ensuring that members of pension schemes are protected, including strict regulatory requirements for corporate sponsors and Trustees, and strong oversight of The Pension Regulator. It was never intended that defined benefit pension schemes would offer an insurance quality covenant - they were always employer sponsored. Additionally, it seems this could require the BA employer covenant and the UK PPF protection to be valued as assets. This seems quite complicated and costly.	
31.	BT Group plc	12.	What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs should be retained or removed? There are a number of practical difficulties with the holistic balance sheet. The method of construction appears to be artificially trying to fit pension schemes into a framework that is neither suitable or appropriate. As such, It is simply the wrong starting point. It is not clear that many of the security elements identified can easily be valued in monetary terms – or that, even if a number can be arrived at for the value of the sponsor covenant or pension protection scheme, that number actually encapsulate the role being played by that security mechanism. The distinction between sponsor-backed and non-sponsor-backed IORPs should be retained.	Noted

32.	BT Pension Scheme Management Ltd	12.	We do not support the holistic balance sheet proposal. We believe that the time-frames over which IORPs invest do not lend themselves to this form of snapshot reporting of valuations, and we also fundamentally believe that some of the assets which many IORPs in practice enjoy - in particular, the sponsor covenant and the benefit of pension protection arrangements - are more qualitative and so not captured well by a hard quantitative valuation such as that proposed. In effect, the sponsor covenant and the benefit of the pension protection arrangement together form a balancing item in any overall assessment of the investment position of IORPs which enjoy those significant advantages. The performance of the invested assets is of limited relevance to the near term payment of pensions, as in many cases the pension entitlements are a promise from the sponsoring employer. Thus, the proposed balance sheet can be of only a little information value to beneficiaries - and we are conscious of EIOPA's focus on consumer protection as a core aim for its approach across these proposals, and believe that this focus on consumer protection means that DB schemes with a sponsor covenant and the benefit of pension protection arrangements should need much less intervention than other structures under EIOPA's remit - and it should certainly not be used as a basis for assessing whether funding is adequate. The proposed holistic balance sheet should also not be used as a basis for assessing whether funding is adequate given the long-term nature of IORP investment. As discussed below, we support applying recovery periods (should these be necessary) of 15 or 20 years as these are realistic timeframes for IORPs to consider	Noted

			given their investment time horizons. A snapshot of a current valuation can only be of limited value in that lengthy context. We would also caution against the negative implications of a narrow quantitative understanding of IORP balance sheets for investment in Europe, not least at this time of crisis. One element of investment which the EU needs to stimulate growth is significant new investment in infrastructure. The balance sheet proposal risks squeezing investment into a narrow range of assets with short-term liquidity. This would restrict the ability of pension funds, one of the possible sources of investment into long-term European assets, to invest in infrastructure and provide the long-term investment which the European economy needs.	
33.	Bundesarbeitgeberverband Chemie e.V. (BAVC)	12.	BAVC rejects the proposal for a holistic balance sheet. A Holistic Balance Sheet Approach will just increase the costs of occupational retirement provision and therefore mitigate the amount of the benefits and also the coverage level. The Balance Sheet is also not suitable for technical reasons because of the specialties of IORPs. We strongly recommend to maintain the clear distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs (policy option 1). A reasonable holistic balance sheet model implies that the value of the employer covenant (backed by the pension protection scheme) will have to be determined by the gap it is supposed to fill. This will be the gap between the financial assets on the one hand and technical provisions. IORPs should only be bound to hold additional assets above the technical provisions to the extent they are not sponsor-backed.	Noted.

			The ratio of all regulative measures primarily has to keep in mind the need of protecting the pension entitlements of the members (beneficiaries/insured persons). A protection of these assumes that there still is an existing system of occupational retirement provision across Europe and especially in Germany. The implementation of the Holistic Balance Sheet Approach, as recommended by EIOPA, would simultaneously signify the implementation of risk-based supervision and Solvency Capital Requirements (SCR) for IORPs according to the regulations of the Solvency-II-Directive, which obviously has been the starting point for the development of the Holistic Balance Sheet Moreover, IORPs only offer occupational retirement provision, pensions promises that are offered from the employers to the employees. Therefore, the institutions and their products are subject to the national social and labour law of the member states, that has not been harmonized on the EU-level yet and for that reason as already mentioned fully remains under control of the member states. Insurance companies offer insurance-products on the European Single Market as part of the free movement of services and are therefore already subject to the European regulation. Considering these differences, there is no need for a harmonization because of the disparity of the offered products and the different legal requirements that have to be noticed.	
34.	BVI Bundesverband Investment und Asset Management	12.	The paper details a suggested approach to address concerns raised regarding significant differences on how pensions are structured relative to insurance companies and thus the inappropriateness of applying a straight Solvency II quantitative approach. The "holistic balance sheet" attempts to address these	Noted. EIOPA recognises that there is much further development needed

			concerns. Firstly, we doubt the practical applicability. The approach is very complex. A correct and consistent (!) evaluation of non-financial assets would require a large set of rules and assumptions that would have to be applied by all IORPs, which might be in conflict with the principle of proportionality. Ultimately, the holistic balance sheet approach is a tool to make IORPs and insurers comparable and fit IORPs into the quantitative framework of Solvency II by the backdoor, which would not be acceptable. We are also concerned that the implementation of the approach will take a lot of additional practical efforts that particularly the smaller plans will be unable to implement and will be disproportionately effected. The implementation will be extremely complicated as there are numerous questions to address, such as ☐ In the case of sponsor backed IORPs, how will EIOPA take into account the risk that the sponsor is unable to provide the assets required to restore funding after a shock? ☐ When IORPs are permitted to reduce benefits based on a contract concluded beforehand, how will EIOPA model this form of soft promise being made by the IORP or sponsor? ☐ How will EIOPA incorporate this type of mechanism when the adjustment of benefits is left to the negotiation between the social partners that takes place ex-post? One of the most difficult challenges will be to take into account the governance arrangements of IORPs, which often reflect a “social contract” between the main stakeholders (i.e. members, beneficiaries, employers) which allows for some sort of risk sharing between the stakeholders. This kind of mechanism differentiates very much occupational pension schemes from life	to implement the HBS concept.

			insurance plans, which typically don't allow for ex-post solidarity mechanism. Against this background, while being a tempting concept in theory, we doubt that the holistic balance sheet can act as a viable alternative to the existing IORP Directive in practice. Regarding specifically the distinction between Article 17(1) IORPs, Article 17(3) IORPs and sponsor-backed IORPs, we consider that this distinction should be retained because the recourse to sponsor support as well as the existence of other security mechanisms should be considered explicitly. Only those IORPs should be classified as 17(1) IORPs that completely bear all risks by themselves. For example, Pensionskasse and Pensionsfonds in Germany would have to be classified as 17(3) IORPs because the sponsor is always liable in the second degree for the promised benefits.	
35.	CEA	12.	The CEA understands the holistic balance sheet proposal as an approach, similar to the economic balance sheet approach of Solvency II but adding the pension funds' specific security mechanisms in the balance sheet. Moreover, due to the fact that this approach is new and to the very short consultation period, the CEA was unable to fully assess EIOPA's approach, especially because for the part of the total liability that is not underwritten by the IORPs, the holistic balance sheet approach does not reflect how to value the part of the liability that is underwritten by the employer. As such, the CEA welcomes EIOPA's commitment to launch a Quantitative Impact Study (QIS) in 2012. The QIS should allow the CEA and other stakeholders to understand the functioning and impact of the holistic balance sheet. Furthermore, this exercise should also be used as an opportunity to assess the solutions found under Solvency II to deal with the concerns of excessive volatility and long term	Noted

			guarantees. Finally, the QIS should contribute to better assess the existence of a level playing field between Insurers providing occupational pension products and IORPs. In this regard, the CEA invites EIOPA to not only perform the QIS on pension funds but also to include some insurance companies providing occupational pension products. This would also allow compare the situations of insurers subject to Solvency II and IORPs subject to the revised IORP Directive. The CEA is of the opinion that a decision can only be taken on some of the key issues addressed in EIOPA's consultation after a carefully executed QIS taking into account the diversity of the different pension schemes across Europe. Amongst others, key issues are: ☐ The treatment of the sponsor covenant ☐ The treatment of the insolvency schemes ☐ The harmonisation of the confidence level ☐ The starting principle for valuating liabilities ☐ The consequences of underfunding against the Minimum Capital Requirements ☐ The maintenance of classification of own funds ☐ The treatment of contingent assets The CEA wishes to stress however that Solvency II should remain the basis - in any approach - to set the capital requirements for financial institutions providing occupational pension products. Moreover, where pension funds use similar security mechanisms as insurers a similar approach needs to be taken, especially if the IORP underwrites the liability or parts thereof. Furthermore, the CEA stresses that some security mechanisms are triggered even if the IORP is not underfunded.	

			For example, in some member states there exist contractually agreed additional payments by the employer even in case the fund is not underfunded. In addition, it should be made clear to supervisors and members/beneficiaries who bears the risk. This should be made clear through the information provided.	
36.	Charles CRONIN	12.	I cautiously support the introduction of a Holistic Balance Sheet (HBS). There is merit in producing a high-level construct that lists and approximately values all the elements in the risk assessment of a pension fund. However my support is tempered by a serious concern that if the HBS follows insurance company solvency parameters, it will have extremely adverse consequences on DB pension provision. Insurance company style solvency would substantially reduce the risk/return characteristics of IORPs, to cover against insolvency risks which they do not face. In order to fill the investment return deficit, both employers and employees would have to significantly increase their contributions to the scheme, in order to achieve the previous pension promise. Indeed insurance style solvency could needlessly close many Defined Benefit (DB) schemes. Hence I do not agree with the introduction of risk buffers, Minimum Capital Requirements (MCR) and Solvency Capital Ratios (SCR), except where the IORP provides its own guarantee. If on the other hand the objective of the HBS is to provide a prudential framework, which is fully sympathetic to the term structure of IORP liabilities then I am supportive of that goal. A key feature of the HBS for DB schemes will be smoothing features for both the calculation of assets and liabilities. My answers below set out suggested smoothing models for both	Noted

			assets and liabilities, while I recognise these are not consistent with IFRS 19 (mark to market valuation), I believe they are prudent given the characteristics of IORPs. If the HBS is designed for benefit of the members, then reducing volatility in asset values and smoothing of liabilities for long lived schemes will reduce member, sponsor and scheme manager angst. Given the mean reverting nature of markets this approach would not create a mirage of solvency. There is a high chance that it would contribute to better outcomes for all stakeholders, as the scheme would be managed to reflect the term structure of its liabilities, rather than on today's market values. Whilst market values are important, the efficient market hypothesis (discussed below) is not suitable as a yardstick for pension funds, with long investment horizons. As regards current Articles 17(1) and 17(3) concerning 'regulatory own funds', I support EIOPA's option 2, to review the Directive in a way that is flexible enough to allow for all kinds of IORPs through the HBS approach, subject to the concerns raised above.	
37.	Chris Barnard	12.	In theory I would support the holistic balance sheet proposal, which should apply to all IORPs, as this is more transparent and informative, increases comparability across IORPs, and will lead to a harmonised approach across all IORP types.	Noted
38.	CMHF (Centrale van Middelbare en Hogere Functionar	12.	The idea of a holistic balance sheet seems to offer theoretical possibilities for harmonisation, but the complexities involved make this an instrument that is unsuitable as a primary supervision tool. The concept should be developed further, where both an impact assessment by the Commission and a quantitative impact study by EIOPA are essential, before any decision can be made whether the holistic balance sheet can and	Noted. EIOPA recognises that there is much further development needed to implement the HBS concept.

			should be used as a supervisory tool. The CMHF is willing to support both the EC and EIOPA in making these assessments if and when needed. Consideration may be given to using the method as an internal model that can possibly lead to lower solvency buffers if properly used. This use will account for the proportionality issues for smaller IORPs that are involved in using a complex tool. The distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs can be retained. However, we do note that this distinction is not complete and does not cover all forms of IORPs. A category should be added in which the members themselves bear (part of) the risk, as opposed to the IORP as an institution.	
39.	CONFEDERATION OF BRITISH INDUSTRY (CBI)	12.	The CBI does not support a framework that includes a tiering of assets CBI members believe that it is seriously misguided to introduce a tiering of assets, as included in the Solvency II Directive, in the superivision of IORPs. The long-term nature of pension liabilities means that the liquidity of assets to be held by the scheme is not as relevant as in the case of insurers. This is because while some liquidity will be necessary to discharge some immediate liabilities in relation to pensions in payment, long-term illiquid assets that provide higher or more secured returns are effective hedging vehicles against risks such as inflation or longevity. Moreover, institutional investors such as European IORPs, which hold over €2,500bn in assets, are also key long-term investors in the EU economy. Unlike other investors more focused in	Noted Tiering and related matters are discussed in chapters 9 and 10.

			short-term returns, IORPs are able to support long-term investments, such as infrastructure, that are not liquid immediately despite the need for higher capital financing in the early years. IORPs are therefore ideal vehicles to invest into the long-term development of the EU economy as well as helping reduce the volatility financial markets have experienced in recent years. These are outcomes we should encourage, not undermine.	
40.	De Unie (Vakorganisatie voor werk, inkomen en loop	12.	The idea of a holistic balance sheet seems to offer theoretical possibilities for harmonisation, but the complexities involved make this an instrument that is unsuitable as a primary supervision tool. The concept should be developed further, where both an impact assessment by the Commission and a quantitative impact study by EIOPA are essential, before any decision can be made whether the holistic balance sheet can and should be used as a supervisory tool. De Unie is willing to support both the EC and EIOPA in making these assessments if and when needed. Consideration may be given to using the method as an internal model that can possibly lead to lower solvency buffers if properly used. This use will account for the proportionality issues for smaller IORPs that are involved in using a complex tool. The distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs can be retained. However, we do note that this distinction is not complete and does not cover all forms of IORPs. A category should be added in which the members themselves bear (part of) the risk, as opposed to the IORP as an institution.	Noted
41.	Derek Scott of D&L Scott	12.	A key element of EIOPA's proposal for the holistic balance sheet	Noted.

			is the inclusion of the sponsor covenant as an asset. We support this wholeheartedly, but are concerned at the scale of the challenge that this represents. In carrying out quantification of the covenant there is a balance to be struck between simplicity and fairness. At one extreme, a detailed covenant assessment is likely to be complex – and therefore expensive – to undertake. At the other, a simplistic and low-cost approach is likely to be inequitable. Undoubtedly, it is possible to strike an appropriate balance, but this will take time to establish. Any proposition as to how to value the sponsor covenant should be considered within the framework Directive; it should not be left for implementation measures and it should be accompanied by a quantitative impact assessment.	EIOPA recognises that there is much further development needed to implement the HBS concept, and that complexity and proportionality are very important issues.
42.	Deutsche Post AG / Deutsche Post DHL	12.	8. We recommend maintaining a clear distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs, i.e. we support "policy option 1". 9. The central assumptions underlying the holistic balance sheet approach are taken from the Solvency II model i.e. market consistent valuation of assets and liabilities, one year time horizon, 99.5% confidence level etc. In the current environment where interest rates are kept (politically) extremely low due to artificially low reference rates and exceptional quantitative easing measures, a Solvency II approach would lead to unaffordable capital requirements. We do not see any argument why this should be considered as risk-oriented. 10. As a consequence we reject the undifferentiated usage of the holistic balance sheet as a catch-all approach because it doesn't fit the diversity of European IORPs: In our opinion, the holistic balance sheet approach doesn't meet the characteristics	Noted

			of sponsor-backed IORPs and to some extent Article 17 (3) IORPs. A reasonable holistic balance sheet model implies that the value of the employer covenant (backed by a pension protection scheme) will have to be determined by the gap it is supposed to fill. This will be the gap between the financial assets on the one hand and technical provisions. IORPs should only be bound to hold additional assets above the technical provisions to the extent they are not sponsor-backed.	
43.	Deutsche Post Pensionsfonds AG	12.	9. We recommend maintaining a clear distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs, i.e. we support "policy option 1". 10. The central assumptions underlying the holistic balance sheet approach are taken from the Solvency II model i.e. market consistent valuation of assets and liabilities, one year time horizon, 99.5% confidence level etc. In the current environment where interest rates are kept (politically) extremely low due to artificially low reference rates and exceptional quantitative easing measures, a Solvency II approach would lead to unaffordable capital requirements. We do not see any argument why this should be considered as risk-oriented. 11. As a consequence we reject the undifferentiated usage of the holistic balance sheet approach as a catch-all approach because it doesn't fit the diversity of European IORPs: In our opinion, the holistic balance sheet approach doesn't meet the characteristics of sponsor-backed IORPs and to some extent Article 17 (3) IORPs. A reasonable holistic balance sheet model implies that the value of the employer covenant (backed by a pension protection scheme) will have to be determined by the gap it is supposed to fill. This will be the gap between	Noted. The holistic balance sheet is a methodological concept only, and the issue of what basis should be adopted for calculation is a separate issue which is considered in chapters 9 and 10.

			the financial assets on the one hand and technical provisions. IORPs should only be bound to hold additional assets above the technical provisions to the extent they are not sponsor-backed.	
44.	DHL NL (Netherlands)	12.	We prefer policy option 1, because we think that there is and should be a distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs. The idea of a holistic balance sheet seems to us a theoretical one. As a consequence we reject the usage of the holistic balance sheet as a catch-all approach because it doesn't fit the diversity of European IORPs. The holistic balance sheet approach doesn't meet the characteristics of sponsor-backed IORPs and to some extent Article 17 (3) IORPs. A reasonable holistic balance sheet model implies that the value of the employer covenant (backed by a pension protection scheme) will have to be determined by the gap it is supposed to fill. This will be the gap between the financial assets on the one hand and technical provisions. IORPs should only be bound to hold additional assets above the technical provisions to the extent they are not sponsor-backed.	Noted
45.	DHL Services Limited	12.	What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction between Article 17(1) IORPS, 17(3) IORPs and sponsor-backed IORPs should be retained or removed? We are opposed to the concept of the holistic balance sheet, because it starts from a position that Solvency II is the right framework for IORPs. It is not clear that many of the security elements identified can easily be valued in monetary terms – or that, even if a number can be arrived at for the value of the sponsor covenant or pension protection scheme, that number	Noted. EIOPA recognises that there is much further development needed to implement the HBS concept.

			actually encapsulate the role being played by that security mechanism. We therefore regard the holistic balance sheet as an unworkable concept. 1. We believe that the distinction between sponsor-backed and non-sponsor-backed IORPs should be retained. We therefore support policy option 1, by maintaining a clear distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs.	
46.	DHL Trustees Limited	12.	What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction between Article 17(1) IORPS, 17(3) IORPs and sponsor-backed IORPs should be retained or removed? We are opposed to the concept of the holistic balance sheet, because it starts from a position that Solvency II is the right framework for IORPs. It is not clear that many of the security elements identified can easily be valued in monetary terms – or that, even if a number can be arrived at for the value of the sponsor covenant or pension protection scheme, that number actually encapsulate the role being played by that security mechanism. We therefore regard the holistic balance sheet as an unworkable concept. 1. We believe that the distinction between sponsor-backed and non-sponsor-backed IORPs should be retained. We therefore support policy option 1, by maintaining a clear distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs.	Noted. EIOPA recognises that there is much further development needed to implement the HBS concept.

47.	Direction Générale du Trésor, Ministère des financ	12.	1. We understand that the holistic balance sheet is a core element of the methodology proposed by EIOPA. We have no specific concern regarding it. Nevertheless, in order to avoid any wrong impression of security, the principles underlying the holistic balance sheet should remain consistent with general accountancy principles. In particular, no mechanism should be materialised on the asset side of the balance sheet unless: 2. - It is materialised in the IORP (for instance: property items) - It appears on the liability side of the IORPs counterparties (for instance: reinsurance, sponsor support, cash at bank, and s.o.)	Noted
48.	Ecie vie	12.	The Holistic Balance Sheet could be a good tool as it ensures greater transparency and disclosure and would make comparable all the institutions together. The Holistic Balance Sheet should be based on a fully harmonised risk's measurment and made public.	Noted
49.	EFI (European Federation of Investors)	12.	The HBS proposal seems to be a very interesting concept able to solve some problems relating to the role of sponsors in the equilibrium of a plan. But it should be handled with care because we should not simply take into account the commitment of the sponsor. This commitment should be evaluated very carefully in order to avoid any surestimation of the guarantee and it will require that the supervisor be able to do this by auditing directly the accounts of the sponsor. This should not offer a possibility to diminish the level of security required which has to be the sale whatever the type of IORP.	Noted
50.	European Association of Public Sector Pension Inst	12.	What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction	Noted. The holistic balance

			between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs should be retained or removed? The main problem of the Holistic Balance Sheet is that it contains the essential aspects of the Solvency II regime, i.e. the "mark-to-market" criteria for the valuation of assets and liabilities, a risk-sensitive calculation of the solvency capital requirement as the value-at-risk with a 1-year-horizon and a security level of 99.5%. The main problems related to these concepts are: ☐ very high capital requirements due to the long duration of liabilities, guaranteed benefits and the IORP typical duration mismatch of assets and liabilities because of the longer duration of liabilities compared to assets ☐ very high capital requirements in times of low interest rates ☐ volatile and arbitrary capital requirements in times of fragile financial markets (interest rates, equity markets,…) ☐ the long-term risk diversification behavior of IORPs is limited by the 1-year-horizon of the standard formula ☐ too high capital requirements due to the 1-year-horizon given the long duration of liabilities and the marginal relevance of short term fluctuations ☐ implementing the Solvency II structure and accomplishing all the legal and IT requirements will mean high additional financial costs and manpower efforts (For a more detailed discussion of the problems with the	sheet is a methodological concept only, and the issue of what basis should be adopted for calculation is a separate issue which is considered in chapters 9 and 10.

			Solvency II rules for calculating the solvency requirement please refer to EAPSPI's answers to CfA 6, especially questions #37 and #38. For a more detailed discussion of the problems related to the long-term investment behavior of IORPs see the answers to CfA 7 and 8.) In the end the sum of the ingredients of Solvency II will have serious consequences. The requirements of pillar I entail severe or even life-threatening difficulties for some IORPs with respect to handling the organizational requirement and financing the capital requirements due to the existing retirement provisions. Forcing them to accomplish all the capital, legal and IT requirements following the Solvency II framework will lead to rising costs. This will in turn reduce the benefits for existing retirement provisions and / or increase the need of additional financial contributions of the sponsoring undertaking. In the medium-term a switch from defined-benefit- to defined-contribution-schemes due to excessive demands in defined-benefit schemes is very likely. The effect is a risk transfer from the IORP or the sponsoring undertaking to the employee. Or – even worse – this process leads to an entire termination of occupational pension covenants and the disappearance of IORPs. These consequences stand in direct contrast to the political objective of securing retirement provision and are surely not intended to be the outcome of a revised IORP Directive. To sum up, this makes a veritable and unintended paradox of the Solvency II regulatory approach. If for security reasons the capital requirements for IORPs increase in the end the employee is penalised for his own future security. In other words: to avoid unlikely benefit reductions in the future we accept definite	

			benefit reductions in the present. With the Holistic Balance Sheet (HBS) EIOPA tries to cope with the problems mentioned above by taking into account some special characteristics of IORPs. This is done by integrating two additional assets–additional financial contributions of the employer and the pension protection schemes – as well as the possibility to reduce liabilities because of benefit reductions. But for the IORPs the HBS does not change the situation for the better for the following reasons: 1. Fundamental principles and problems of Solvency II remain unchanged The general principles of Solvency II and especially of pillar I remain unchanged. And therefore the implied consequences mentioned above ("mark-to-market" valuation, 1-year-horizon, volatility, arbitrariness, interest rate sensitivity, financial costs and manpower efforts,…) remain problematic as well. The HBS might indeed reduce the capital requirements for IORPs but at this point serious difficulties arise. 2. Concrete problems with the design of the HBS The concrete design and functioning of the HBS creates various problems. If the additional "security mechanism" of IORPs are valued according to a "market-value", what is the concrete "market" value of the subsequent payments of the sponsor or a possible pension protection mechanism in place? How much is it "worth" to be able to reduce benefits in case of a financial	

			emergency? Shall these assets be allowed to appear on the balance sheet already in the unstressed market-value balance sheet or only to cover the losses of stressed assets? All these questions exemplify the immense difficulties due to a plausible valuation, tiering and balancing of assets and the high degree of arbitrariness when it comes to quantifying these additional assets according to "market-values": there simply is no concrete balance sheet value due to the nature of these assets. So the attached values are highly arbitrary and therefore contradict the notion of a neutral, objective and informative balance sheet. 3. Are "new" assets "new" liabilities as well? It is very likely that the concrete value of the additional assets will have to fill exactly that gap which the IORPs face because of the changeover to the Solvency II balance sheet. The difference is the outcome of the market valuation of assets and liabilities. So the seeming "market value" of the new assets is in the end predetermined by the increase in the capital requirements given the pillar I of Solvency II which is described above. And this leads to a further problem: If these "new" assets enter the balance sheet of the IORP then "new" liabilities will also have enter the balance sheet of the sponsoring undertaking. Therefore the higher capital requirements of Solvency II – as described above – will move to the balance sheets of the employers. For example for employers in the public sector in Germany this would lead to a situation of financial over-indebtedness. Again, as EAPSPI argued in the pure-Solvency-II-	

			situation, the consequence would be the termination of occupational pension provisions and the disappearance of IORPs on a large scale. 4. The "Holistic Balance Sheet Paradox": Same security as before, but dramatic consequences? Finally, EAPSPI wants to point out the inherent paradox associated with the HBS: The security level for the employees is exactly the same as before. Economically speaking nothing changes, it is only a question of accounting and the interplay of IORPs and employers, as was argued above. But due to the dramatic rise in costs it is likely that this level of security will not be affordable anymore. In EAPSPI's opinion, EIOPA has correctly identified existing security mechanisms, which can be called upon in case of emergency so that the security of retirement provisions is guaranteed. And EIOPA has in particular pointed out the differences between IORPs and insurance undertakings. Additionally, EAPSPI would like to mention some further distinctive features common to public sector IORPs that differentiate institutions of the so-called "second" and "third" pillar as far as benefit security is concerned: ☐ 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 organizations, the possibility of a potential conflict of interests between member protection and profit maximizing behavior and dividend payments is minimized. ☐ The long term investment horizon of IORPs and the impossibility of capital withdrawal (no benefits before the occurrence of the insured event e.g. retirement, death, and disability) also strengthens benefit security. ☐ For DB- and hybrid DB-/DC-schemes, in at least some Member States, employers have the ultimate responsibility for the fulfilment of the pension promise as additional benefit security mechanism. EAPSPI's summary: ☐ If the general idea of pillar I of Solvency II is to ensure	

			that IORPs are assured against exceptional emergency cases then this protection, especially in case of public sector IORPs, already exists because of the additional security mechanisms in place. ☐ If these mechanisms were to be quantified grave problems would arise which essentially contradict the initial idea: only pseudo-certainty and -precision prevails given the arbitrariness of the valuation of additional security mechanisms as assets. ☐ And: lots of (small) IORPs will be unable to cope with the immense extra needs in manpower and financial effort ☐ In the end: the existing security mechanisms today already safeguard with low cost exactly that level of security which would be created with supposed quantitative precision in the new regulatory regime for much higher costs (best case) if not for the price of termination of existing pension scheme arrangements (worst case). RESULTS ☐ Extreme effort and great uncertainty with respect to construction, valuation, etc. of the HBS. ☐ No security surplus for employees but higher costs for employers. ☐ EAPSPI strongly opposes the HBS in consideration of all these aspects. ☐ For proposals for an alternative perspective on regulating IORPs see answer to question #52.	

51.	European Federation for Retirement Provision (EFRP	12.	The EFRP rejects the proposal for a holistic balance sheet. The EFRP supports the idea of taking into account all the risk mitigating instruments that an IORP has. However, the complexities of a holistic balance sheet make this an unsuitable as a primary tool of supervision. Workplace pensions are based on social and cultural traditions and strongly linked to first pillar pension provision in the different Member States. Pension security is about much more than scheme funding levels alone and a single approach to pension security, which only focuses on short term solvency, will jeopardize many existing European pension systems. The main assumptions underlying the holistic balance sheet approach are taken from the Solvency II model i.e. market consistent valuation of assets and liabilities, one year time horizon, 99.5% confidence level etc. This would require a significant increase in pension scheme funding and EIOPA must make this clear in its advice to the Commission. This is due to the use of different (lower) rates of discounting the liabilities and the implementation of (higher) capital requirements. The capital requirements aim to provide a high level of pension security in the short term, which would come at a very high price. Pension funds would have to ask their employer companies and employees for extra support. It is unclear and in many cases unlikely that this addition funding could be met. If that is not possible, this will lead to lower benefits. The EFRP is also concerned that Solvency II capital requirements could lead to a de-risking of investment portfolios, threatening future returns and thus, benefit levels.	Noted The concept of the HBS is independent of the assumptions used for supervisory purposes, which are a separate matter. EIOPA recognises that the IORP Directive must respect the primacy of national social and labour law

			It is not only the retirees, employers and employees that would be affected by a Solvency II regime for IORPs. There would be negative effects on the total European economy as higher pension contributions and sponsor support automatically lead to higher labour costs and that will make the European economy less competitive. In addition, less capital will be available for investments which will have a negative impact on employment. Lower pension benefits will hurt the purchasing power of retirees and thus the consumption in Europe. As a consequence of derisking investment portfolios there would also be less capital available to companies. IORPs are important suppliers of capital to listed European multinational corporations, small and medium-sized enterprises (SMEs) as well as a great number of innovative start-ups. A Solvency II regime for IORPs would overly limit their opportunities. This outcome would have a negative impact on employment in the European Union. The proposed revision is not in line with Europe 2020 Strategy. In addition, we are concerned that the EU debt crisis has already reduced FDI in European companies	
52.	European Fund and Asset Management Association (EF	12.	The paper details a suggested approach to address concerns raised regarding significant differences on how pensions are structured relative to insurance companies and thus the inappropriateness of applying a straight Solvency II quantitative approach. In this respect, the "holistic balance sheet" does appear to attempt to address these concerns. However, we believe that the requirement to provide additional capital and risk buffers will increase the costs of providing pensions which will operate to reduce the attractiveness of providing workplace savings schemes and potentially reduce benefits for pension	Noted. EIOPA recognises that there is much further development needed to implement the HBS concept.

			savers. It is not clear that employees or DC plan participants would be able to understand the need for these additional buffers. We are also concerned that the implementation of the approach will take a lot of additional practical efforts that particularly the smaller plans will be unable to implement and will be disproportionate effected. The implementation will be extremely complicated, as there are numerous questions to address, such as ☐ In the case of sponsor backed IORPs, how will EIOPA take into account the risk that the sponsor is unable to provide the assets required to restore funding after a shock? ☐ When IORPs are permitted to reduce benefits based on a contract concluded beforehand, how will EIOPA model this form of soft promise being made by the IORP or sponsor? ☐ How will EIOPA incorporate this type of mechanism when the adjustment of benefits is left to the negotiation between the social partners that takes place ex-post? One of the most difficult challenges will be to take into account the governance arrangements of IORPs, which often reflect a "social contract" between the main stakeholders (i.e. members, beneficiaries, employers) which allows for some sort of risk sharing between the stakeholders. This kind of mechanism	

			differentiates very much occupational pension schemes from life insurance plans, which typically don't allow for ex-post solidarity mechanism. From this perspective, we consider that the distinction between the "IORP Directive" approach (option 1 on page 73) and the "holistic balance sheet" approach (option 2 on page 73) may be a bit artificial. It is indeed vital to retain the main benefits of option 1, i.e. allowing for proper recognition of the individual mechanisms that provide security to the IORP and ensuring that each form of IORP is individually recognized in a clear way. The logical implication of this widely accepted constraint is that a full harmonized approach across all types of IORPs does not appear possible and is not desirable given the diversity of IORPs between Member States. Thus, while we understand the motivation behind the "holistic balance sheet" approach, we are not sure to understand how it would differ in practice from the "IORP Directive" approach as significant flexibility would be needed in the provision and in the implementation across Member States to allow for all kinds of IORPs. Against this background, we believe that the holitic balance sheet will be considered a viable alternative to the existing IORP Directive. Regarding specifically the distinction between Article 17(1) IORPs, Article 17(3) IORPs and sponsor-backed IORPs, we consider that this distinction should be retained because the recourse to sponsor support as well as the existence of other security mechanisms should be considered explicitly.	

53.	European Metalworkers Federation	12.	EMF believes that any decision over this matter has a political component, since there might be relevant impacts over the structure and nature of occupational pension schemes in Member States.	Noted
54.	European Mine, Chemical and Energy workers' Fede	12.	EMCEF believes that any decision over this matter has a political component, since there might be relevant impacts over the structure and nature of occupational pension schemes in Member States.	Noted
55.	FAIDER (Fédération des Associations Indépendantes	12.	The HBS proposal seems to be a very interesting concept able to solve some problems relating to the role of sponsors in the equilibrium of a plan. But it should be handled with care because we should not simply take into account the commitment of the sponsor. This commitment should be evaluated very carefully in order to avoid any surestimation of the guarantee and it will require that the supervisor be able to do this by auditing directly the accounts of the sponsor. This should not offer a possibility to diminish the level of security required which has to be the sale whatever the type of IORP.	Noted
56.	Federation of the Dutch Pension Funds	12.	The idea of a holistic balance sheet seems to offer theoretical possibilities for harmonisation, but the complexities involved make this an instrument that is unsuitable as a primary supervision tool. The concept should be developed further, where both an impact assessment by the Commission and a quantitative impact study by EIOPA are essential, before any decision can be made whether the holistic balance sheet can and should be used as a supervisory tool. The PF is willing to support	Noted. EIOPA agrees that quantitative impact and cost/benefit analysis are important for a final decision.

			both the EC and EIOPA in making these assessments if and when needed. Consideration may be given to using the method as an internal model that can possibly lead to lower solvency buffers if properly used. This use will account for the proportionality issues for smaller IORPs that are involved in using a complex tool. The distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs can be retained. However, we do note that this distinction is not complete and does not cover all forms of IORPs. A category should be added in which the members themselves bear (part of) the risk, as opposed to the IORP as an institution.	
57.	Financial Reporting Council	12.	We agree that it is appropriate for managers of IORPs, members and regulators to consider all the elements that support the pension bargain made between the member and the employer. These include the structure of the IORP, any separately identified assets collateralising that bargain, as well as security mechanisms, such as sponsor support, benefit adjustment mechanisms and pensions protection schemes. However, we consider that further work is required on: ☐ the construction of the holistic balance sheet; ☐ how sponsor covenant is assessed; and ☐ setting trigger points for regulatory action. It would be helpful to have some real examples of how the holistic balance sheet might operate in practice. We would urge EIOPA to carry out further work on the practical application of the concept before recommending the holistic balance sheet to the EC. It is possible to produce useful financial information (the IASB	Noted. EIOPA agrees that quantitative impact and cost/benefit analysis are important for a final decision.

			defines useful financial information as being relevant and a faithful representation of what it purports to represent) for some of the elements of the holistic balance sheet. However, we do not consider that it is possible to produce a useful quantative estimate of them all. In particular, we do not consider that it is possible to measure the value of sponsor support in a reliable way for all IORPs. There are inherent difficulties in estimating the value of any sponsor covenant in excess of the recovery plan. There is uncertainty about both amounts and timing of any additional payments that might be made. This makes it very difficult to justify any quantitative estimate as being a faithful representation of the value of the sponsor covenant. This reduces its usefulness as a trigger for action by members, supervisors or the management of the IORP. It is unlikely to be verifiable; it is likely that different experts will come up with a wide range of possible estimates. It is also unlikely to be comparable across different sponsors given the judgements that will need to be made. Where the sponsor is a member of a group of companies, the value of the covenant might need to take account of contractual and non-contractual financial relationships between the sponsor and other members of the group. Depending on how the covenant is to be assessed there could also be significant additional costs to IORPs in making the assessment. EIOPA recognises that quantification of the covenant is a complex task (paragraph 9.3.199) and a methodology is suggested in paragraph 9.3.198 involving the projection of expected cash flows of the sponsor. EIOPA recognises recovery plans might extend over 15 years. This implies that the	

			projection of cash flows might need to extend over a similar period. Such projections are likely to be burdensome; very few businesses project cash flows over such an extended period. Even recognising that proportionate approaches might be applied such projections will require the selection of key assumptions to be made on the basis of limited information with small variations having the potential to produce very large differences in value. It might be possible to adopt a relatively simple metric for estimating the riskiness relating to the cash flows to be valued. The UK's Pension Protection Fund uses a single metric for assessing employer insolvency risk in the calculation of its annual levy. However, such methods only provide an indication of riskiness and only over relatively short periods, typically one to three years. Considering insolvency risk over extended periods will increase unreliability. In their discussion paper, The Financial Reporting of Pensions issued in January 2008, the European Financial Reporting Advisory Group (EFRAG) and a group of European accounting standard setters considered quantifying the employer covenant. They said: "A possible approach would be to require the current value of the employer's covenant to be estimated. This would be a measure that attempted to quantify the amount and timing of future cash flows likely to arise under the covenant, probably using an expected value calculated under a number of scenarios. This would clearly be a burdensome and highly subjective calculation to perform. It is also open to the objection, in principle, that it would seem that it would inevitably take account of future investment returns." A more pragmatic approach would be to treat the sponsor	

			covenant as sufficient to meet the capital requirement in the majority of cases where there is an employer supporting the IORP. Such an approach should be supported by a robust risk management process including qualitative and quantitative information on risk. The distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs should be retained. There is a fundamental difference between an IORP which must bear risk without recourse to either sponsors or members, Article 17(1) IORPs, and IORPs where the risk is borne by sponsors or members. That difference concerns the additional security mechanism available to IORPs which have recourse to sponsors and/or members. A high quality risk-based supervisory regime should reflect that difference.	
58.	FNMF – Fédération Nationale de la Mutualité França	12.	FNMF supports holistic balance sheet, as long as the same principles are opened for the undertakings falling under Solvency 2 directive.	Noted. The holistic balance sheet is a methodological concept only, and the issue of what basis should be adopted for calculation is a separate issue which is considered in chapters 9 and 10.
59.	FNV Bondgenoten	12.	The idea of a holistic balance sheet seems to offer theoretical possibilities for harmonisation, but the complexities involved make this an instrument that is unsuitable as a primary supervision tool. The concept should be developed further, where both an impact assessment by the Commission and a quantitative impact study by EIOPA are essential, before any	Noted

			decision can be made whether the holistic balance sheet can and should be used as a supervisory tool. FNV BG is willing to support both the EC and EIOPA in making these assessments if and when needed. Consideration may be given to using the method as an internal model that can possibly lead to lower solvency buffers if properly used. This use will account for the proportionality issues for smaller IORPs that are involved in using a complex tool. The distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs can be retained. However, we do note that this distinction is not complete and does not cover all forms of IORPs. A category should be added in which the members themselves bear (part of) the risk, as opposed to the IORP as an institution.	
60.	GAZELLE CORPORATE FINANCE LTD	12.	We support the proposals in EIOPA-CP-11-006 as an attempt to create a conceptual framework in which the security of pension arrangements which rely on the sponsor covenant can be more objectively approached and measured. We agree that it is reasonable to take into account in a holistic balance sheet the following elements as security for the benefits accrued to date: ☐ The assets of the scheme ☐ Contingent assets, such as security over the sponsoring company's assets ☐ Future payments to the scheme to which the employer has committed under a recovery plan	Noted

			☐ The sponsor covenant to the extent that the scheme has a potential claim on this. As noted in our response to Question 33 however, we have some concerns about the value and purpose of the extensive work involved in quantifying the value of the sponsor covenant with any great precision. As noted in our response to Question 41, we have a concern about the concept of treating the provision of a Pension Protection Scheme as an asset. This seems highly questionable; the sponsor is either ongoing or insolvent, and a PPS is only of value in the latter case; it may involve different benefits as is certainly the case in the UK. We consider the attempted analogy with reinsurance to be highly misleading, as reinsurance is a mechanism for risk transfer not an asset.	
61.	Generali vie	12.	The Holistic Balance Sheet could be a good tool as it ensures greater transparency and disclosure and would make comparable all the institutions together. The Holistic Balance Sheet should be based on a fully harmonised risk's measurment and made public.	Noted. The holistic balance sheet is a methodological concept only, and the issue of what basis should be adopted for calculation is a separate issue which is considered in chapters 9 and 10.

62.	German Institute of Pension Actuaries (IVS\32\45\3	12.	We believe that the distinction between the different types of IORPs should be retained. More important, however, we challenge the central assumption taken by both the Commission and EIOPA in the development of the Pensions Directive, namely that insurance and pensions business is so similar, that the same principles - here the "holistic balance sheet" - can be used as a starting point. We do not think that this assumption is appropriate and explain our reasons below. We assume that the similarities are so well understood that the differences are less so and therefore highlight these and some consequences thereof: A. General Comments to IORPs 1. The business model: The vast majority of insurers (and effectively all of the major players) is profit-oriented and operate in a competitive market. Neither applies to pension funds, whether company-own or restricted to a profession or a pre-specified set of beneficiaries (e.g. members of a profession) alone. Pension funds in this sense do not include those that compete directly with insurers in the pensions market. We believe that this aspect alone justifies that a fundamentally different approach between the two types of entities is more appropriate. 2. Ownership structure: The vast majority of insurers (and	Noted EIOPA agrees that considerable further work would be needed to define pension benefits on a consistent basis were it decided to apply a common HBS regime throughout the EU, and notes that this is a political matter.

			effectively all of the major players) is oriented towards the capital markets, i.e. the shares in the entity are effectively held-for-sale by its owners. In contrast, a pension fund is held by a single owner (or its beneficiaries if a mutual structure) and is essentially held-to-maturity, since the entity as such is not publicly traded. It follows that, for measurement purposes, a mark-to-market or fair value approach makes sense for the valuation of an insurer's assets/liabilities. In contrast, for measurement purposes, a fulfilment value or held-to-maturity approach makes more sense for the measurement of pension funds' assets/liabilities. The fact that the owners of those corporate entities holding interests in a pensions fund are also effectively held-for-sale does not necessarily permit the conclusion that this requires treatment similar to insurers: the business model, the legal framework, diversity and risk profiles typically differ from those of insurers. 3. Legal framework: This aspect is dealt with partly in 2.6.5. We believe, however, that not all repercussions have been thoroughly considered. Insurance contracts are contracted in a free and open market (i.e. the consumer has a choice) and are therefore subject to contract/civil law because beneficiaries are contract holders. In contrast, in most countries, pension promises are subject to labour law, which can differ significantly from contract law; the consumer is thus generally not operating in a free and open market. In Germany, for example, the underlying contract is generally agreed upon (and amended) by collective bargaining agreements. The individual employee does not give his consent nor can he disagree, even if his rights are reduced.	

			The pension promise can be weaker / softer and more malleable in the context of a pension fund (for example, in Germany, pension agreements can be and are changed by agreements with employee representatives, not every employee individually - often with legal effect for accrued benefits too). Actuarial valuation principles of liabilities and security requirements for pension funds must thus reflect the prevailing labour and social law and take account of this flexibly over time since labour and social law are not static. In short, insurers generally grant “hard” guarantees while pension funds grant “softer” guarantees. In some member states (e.g. Germany, The Netherlands), most pension funds do not necessarily guarantee benefits at all, since the fund has the right to reduce the benefits in accordance with the assets available – i.e. “soft” benefit ambitions rather than “hard” guarantees. In Germany, for example, in the vast majority of situations the law requires an employer to underwrite any shortfall not met by the fund. This framework is clearly more flexible than that typically applying to life insurers. This flexibility is often justified, to varying degrees, by the existence of an employer covenant. In some jurisdictions there is a further safeguard: should the employer too be unable to fulfil the pension promise given, the promise can be protected by an insolvency protection institution for occupational pensions.	

			Within the context of the holistic balance sheet we understand that EIOPA and the Commission interpret the value of the employer covenant and the insolvency protection as not being assets that can be directly held against the technical provisions but rather only against the SCR and the Risk Buffer. We believe that this approach is not appropriate when viewed in the context of a pension fund's characteristics. 4. Diversity: This aspect is partly dealt with in 2.6.7. However, we believe that here too, not all repercussions have been considered thoroughly. There are about 5,000 insurers and about 140,000 pension funds in Europe. As EIOPA quite correctly states, the aspect of relative cost of satisfying any regulatory requirements is thus of much greater significance for pension funds. However, EIOPA does not mention that the types of products offered by pension funds (i.e. pension promises) are far more diverse in nature than insurance products. The combination of this numbers / diversity issue must have a significant repercussion on regulation, since otherwise, diversity will be intentionally extinguished. The result will very likely be that all risk will be shifted onto beneficiaries. This aspect falls firmly into the area of social policy and should not be brushed aside by the Commission as "not our responsibility". 5. Risk profiles: Typically, insurance contracts exclude a large number of specific risks (e.g. unhealthy lives), whereas pension funds are more inclusive (because normally all employees are to be covered). 6. Is the holistic balance sheet really holistic? If the Commission	

			argues that 3rd pillar regulation (i. e. that of insurers) should be imposed on the 2nd pillar (i.e. that of pension funds) it would seem illogical not to extend this approach to the 1st pillar (i.e. that of social security) too. There seems to be no reason to limit the proposals only to the 2nd and 3rd pillars. We believe that the three pillars of pension provision are a well established blend of distinctly different approaches that make the entire system of retirement provision more resilient (and holistic!) than narrowing down the alternatives to two or even one approach. B. Specific Recommendations Even though we believe it to be inappropriate in principle, if the proposed holistic balance sheet approach is to be followed regardless, it should take the following points into account: 1. We believe that the key quantitative parameters of the Solvency II model, namely the mark-to-market and mark-to-model valuation requirements for plan assets and liabilities, respectively, the one-year forecast period at a statistical confidence level of 99.5% cannot be copied unchanged to pension funds. The main reasons for this assessment include: ☐ As compared with insurers, pension funds typically operate according to a different business model, typically have different ownership structures, are subject to a very different legal framework, currently encapsulate more diversity and have different risk profiles; ☐ Excessively high and volatile capital requirements based exclusively on the state of financial markets (duration gap	

			between available assets and liabilities; low interest rates; state of the markets at the valuation date) are inappropriate for pension funds. 2. The enhanced security provided by the employer covenant and by insolvency protection institutions should, in principle, be taken into account in the same way as financial assets. 3. The softness of a pension fund's obligation must be taken into account when assessing the discount rate for discounting future pension obligations. An approach for determining the discount rate comparable with that required under international accounting standards, i.e. using yield curves that reflect AA-credit rating, would be more suitable and appropriate than a risk-free interest rate. We also believe that the instruments currently being discussed in the life insurance industry (construction of synthetic yield curves applying illiquidity premiums, countercyclical premiums, etc.) are unsuitable for pension funds. 4. In our view the valuation of technical provisions with a view to transfer values is inappropriate. The main reason is that pension funds are effectively not held-for-sale. 5. Recent experience has shown that mark-to-market approaches have their significant weaknesses. When markets are subjected to severe stress (quantitative easing; downgrading of sovereigns; general loss of trust), politically motivated	

			measures are deemed necessary and implemented, e.g. by the construction of synthetic yield curves allowing for illiquidity, counter-cyclicality, theoretical forward rates, etc. In other words, mark-to-market approaches have shown that they are neither resilient nor durable in the face of stressed markets. We believe that the mark-to-market approach, the annual projection horizon coupled with the 99.5% confidence level as applied under Solvency II is unsuitable for IORPs because the resulting high volatility of balance sheet amounts result in high swings in capital requirements that are generally unjustified. 6. In summary we consider that a. The financial and other assets must be sufficient to cover the technical provisions; b. There is no need for a risk margin in addition to the technical provisions as deviations from the technical provisions are already included in the SCR; c. A sufficiently clear and simple assessment of the value of the employer's covenant and the value of the insolvency protection must be ensured; d. A very significant simplification and easing must be permitted in accordance with the principle of proportionality. For instance, smaller funds should be permitted to prepare its balance sheet in simplified form (or excluded altogether) and	

			only in intervals of several years; e. The transition period for implementation must be suitably long to allow time for adjustment	
63.	GESAMTMETALL - Federation of German employer	12.	What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction between Article 17 (1) IORPs, 17 (3) IORPs and sponsor backed IORPs should be retained or removed? We strongly recommend to maintain the clear distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs (policy option 1). As a consequence we reject the undifferentiated usage of the holistic balance sheet as a catch-all approach because it doesn't fit the diversity of European IORPs: In our opinion, the holistic balance sheet approach doesn't meet the characteristics of sponsor-backed IORPs and to some extent Article 17 (3) IORPs. A reasonable holistic balance sheet model implies that the value of the employer covenant (backed by the pension protection scheme) will have to be determined by the gap it is supposed to fill. This will be the gap between the financial assets on the one hand and technical provisions. IORPs should only be bound to hold additional assets above the technical provisions to the extent they are not sponsor-backed.	Noted
64.	Groupe Consultatif Actuariel Européen.	12.	With one overarching caveat (and a minority view expressed at the end of this section), we support the concept of the holistic	Noted. EIOPA recognises that

			balance sheet (HBS), subject to further research and development and clarifications about its use, and provided it is not used as an automatic trigger for driving capital allocation decisions. The caveat, as mentioned in the general commentary, is that we have not been able to consider, within the brief period permitted for the consultation, all possible 'knock-on' effects of introducing an HBS. In the same way that an IAS19 balance sheet does not directly drive funding decisions, the HBS should not do so either – this fundamental aspect is not clear from the consultation and needs to be considered further. Amongst other things, any regulation for IORPs needs to recognise that there is almost always a legal demarcation between the roles and responsibilities of the sponsoring company and the managing board of the IORP; decisions about funding require cooperation of both parties. Additionally, the consultation does not give sufficient information to consider the interaction of the HBS and the Solvency Capital Requirement and therefore our response to question 38 must be tempered by the view that this aspect too needs further thought. ☐ Potential use of HBS ☐ We envisage this to be a useful management tool for the board of the IORP, showing the development of the various components of liability, the backing provided by assets of varying quality and the risk implicit in the board's management policies. ☐ We also envisage it to be a useful tool by which the board of the IORP can communicate to the regulator/supervisor, and potentially to other stakeholders, about their plan for achieving balance between assets and liabilities (assuming it was not already in balance), including decisions about the level of risk	there is much further development needed to implement the HBS concept.

			and its affordability, as well as the expected flow of new contributions and the time horizon involved. This could happen on the basis of a commonly agreed methodology at the European level. ☐ We would expect the HBS to be a mechanism to inform and communicate capital allocation decisions between the sponsor and the IORP. ☐ However, potential use of the HBS as a driver for capital allocation decisions should be decided only after impact studies and with suitable political input, since capital allocation decisions between the sponsor and the IORP depend on reconciling many complex factors, including social preferences which may determine the nature and type of benefits and the balance between cost and security. ☐ Structure of the HBS ☐ We have a preference for technical provisions to be shown at two levels (paragraph 9.3.90) in the balance sheet o Level A determined on a harmonised basis by the application of market consistency principles to reflect what might be the value of the liability on a winding up or buy-out basis (or for very large IORPs, a practical low-risk run-off strategy). o Level B determined on a going concern basis may reflect decisions at the IORP level as to how the liability is expected to be financed over a suitable period of time. o The Level A technical provisions should reflect the nature of the pension promise and would be independent of the investment strategy pursued by the IORP, whilst the Level B technical provisions (more appropriately referred to as the	

			funding target) may incorporate some advance credit for expected future investment returns (as well as future salary increases if appropriate), with a requirement (via the ORSA) for the board of the IORP to show how they are managing the gap. o We consider that an ORSA should be an essential feature of an holistic balance sheet that is structured in this way. The ORSA would consider issues not routinely picked up within the HBS, encourage more proactive management than might be implied to the snapshot position considered within the HBS, and encourage the management of the IORP to show how they had balanced all the moving pieces in a risk management context. ☐ On the asset side, we would suggest an additional explicit item to show the present value of contributions expected from the deficit recovery plan. In many countries these may take the form of a contractual debt agreement and therefore represent better quality than uncommitted assets of the sponsor. Solvency capital and risk margin ☐ We support the principle behind the SCR, which is to demonstrate the level of risk implicit in the IORP's investment strategy and other management policies. However, risk is just one element of a number of components of security and due to social and other preferences each Member State (MS) places different emphasis on the various elements (Our paper 'Security in occupational pensions" sets out how security can be viewed in a holistic manner to incorporate elements from the full range of Pillars I, II and III). Accordingly, the majority of our member associations do not think that it would be appropriate to impose a harmonised security level across the EU for just the technical provisions. Instead, it would be more appropriate for each MS to have the flexibility to set the level of the effective SCR which	

			best reconciles the support mechanisms in place within the MS (such as legally enforceable sponsor covenant, insolvency protection funds, penalties for solvent walk-aways etc). It might even be more appropriate to set the level of the effective SCR at plan level. This would provide employers and employees the freedom to choose the level that best reflects the risks that they accept in their agreement. ☐ The majority of our Member Associations do not see a specific need for a risk margin – an allowance for the uncertainty of cash outflows can be incorporated in the SCR, or in the technical provisions assessed on a suitable prudent basis. However, it is possible that for presentational purposes the risk margin may need to be shown separately but this will depend on which policy option is chosen. Accordingly, we suggest that the concept of a risk margin for the specific purposes of IORPs should be examined again within the context of the chosen policy option.In IORPs, the primary trigger for corrective action should be when there is a shortfall of financial assets against the relevant capital requirement. ☐ Further development needed for HBS to be turned into a practical and useful tool We believe more work is needed before the concept of the holistic balance sheet can be turned into a practical and useful proposition: o Further work is necessary to establish what should be taken as the appropriate measure for the risk-free rate for the calculation of level A technical provisions (the swap rate curve may be a useful starting point and for longer durations a blend with the ultimate forward rate may be supportable, with further adjustments for the inclusion of illiquidity and matching premia).	

			☐ On the valuation of sponsor covenant, we suggest commissioning some external research in this area, studying especially what is already done in respect of security of reinsurance recoveries. ☐ On the allowance for insolvency protection schemes, we think an adjustment to insolvency probabilities might work for insolvency protection schemes in some MS (see answer to Q41). However, the ways and means of taking into account such last resort mechanisms (for which there appears to be no previous experience) requires further research. We believe further clarification is needed in the following areas: ☐ The extent to which intangible assets (sponsor covenant, contingent assets and insolvency protection schemes etc.) should be allowed to provide cover for technical provisions, and SCR. ☐ The CfA is silent about transitional arrangements. We believe that, to the extent that any new requirements may impose additional capital burdens on IORPs or their sponsors, suitable transitional arrangements would be necessary to spread the burden over a reasonable period, in order to reduce what might otherwise be a very significant impact on capital markets and economic growth in the EU. A minority view expressed by one or our member associations is that harmonisation and mutual recognition will not be achieved if the level of security (even if set at a low level), is not stated clearly in the directive. This is particularly a concern where article 4 has been applied to the regulation of IORPs, as indicated in the preamble to our submission. For the protection of plan members they would argue that it is important for the	

			minimum level of security that is sufficient to provide pensions to consumers to be stated in the EU legislation. This view reflects a concern about liabilities being presented in a different way in insurance and pensions and would favour harmonisation of technical provisions with an explicit risk margin in the liabilities in order to ensure sufficient quality and security in all cases. The HBS should not hide the varying levels of quality and security provided by the different HBS components and disclosure of the HBS to plan stakeholders should make this clear.	
65.	Groupement Français des Bancassureurs	12.	FBIA considers that the Holistic Balance Sheet could be a good tool for the assessment of the overall financial statement of the IORP. It would be seen as a prudential supervisory solvency assessment tool. In our opinion, the Holistic Balance Sheet goes in the direction of greater transparency and disclosure, and would make comparable all the institutions together. This approach would acknowledge the existing variety of occupational pension systems and yet would capture all these systems into a single balance sheet. In a competitive environment, the beneficiaries could then make their choice knowing precisely who bears the risk. The protection of beneficiaries should be strengthened by disclosure requirements under Pillar III of the future IORP directive. HBS will only be relevant if based on a fully harmonised risk's measurements. For instance, there must be consistency between interest rates, pension protection scheme and insurance Guarantee Scheme... The HBS should be made public.	Noted. The issue of what basis should be adopted for calculation is a separate issue which is considered in chapters 9 and 10.
66.	PMT-PME-Mn Services	12.	The idea of a holistic balance sheet seems to offer theoretical	Noted

			possibilities for harmonisation, but the complexities involved make this an instrument that is unsuitable as a primary supervision tool. The concept should be developed further, where both an impact assessment by the Commission and a quantitative impact study by EIOPA are essential, before any decision can be made whether the holistic balance sheet can and should be used as a supervisory tool. We are willing to support both the EC and EIOPA in making these assessments if and when needed. Consideration may be given to using the method as an internal model that can possibly lead to lower solvency buffers if properly used. This use will account for the proportionality issues for smaller IORPs that are involved in using a complex tool. The distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs can be retained. However, we do note that this distinction is not complete and does not cover all forms of IORPs. A category should be added in which the members themselves bear (part of) the risk, as opposed to the IORP as an institution.	
67.	HM Treasury/Department for Work and Pensions	12.	Without prejudice to our view that a harmonised solvency regime for IORPs is neither necessary or practical, the proposal for an evaluation tool that would enable supervisors to include all security mechanisms in the overall solvency assessment, may look like an attractive idea in theory. However, EIOPA has not demonstrated that this is workable in practice, and the UK govt is not convinced that – the holistci balance sheet will turn out not to be a practical or viable approach. In particular, we have serious concerns that methods for valuing either the sponsor covenant, or pension protection schemes, have not been explored, and no concrete proposals have been tabled. These methods are fundamental to whether the holistic	Noted. EIOPA recognises that there is much further development needed to implement the HBS concept.

			balance sheet is even possible as an approach. Without knowing whether it is possible to value these two mechanisms in practice, it is extremely premature to invite views on the holistic balance sheet as a formal proposal. Given the critical role of the sponsor covenant and pension protection schemes in offsetting what would otherwise be a totally unaffordable and unnecesary increase in capital requirements, we are highly concerned that EIOPA appears to be committing to a holistic balance sheet without any evidence that it is a practical proposition. EIOPA should therefore work up valuation methods to a level of detail that allows assessment of how this might work in practice before, not after, it responds to the Commission with a recommendation that a holistic balance sheet should be pursued.	
68.	HVB Trust Pensionsfonds AG	12.	2. The distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs (policy option 1) must be maintained. 3. A mark-to-market valuation is too volatil and would never fit for IORPs, that have to satisfy live-long payments. In the holistic balance sheet approach the value of the sponsor convenants and pension-protection-schemes would be the gap between the technical provisions and the financial asstes. No further capital requirements should be arise for sponsor-backed IORPs.	Noted
69.	IBM Deutschland Pensionskasse VVaG and IBM Deutsch	12.	We strongly recommend to maintain the clear distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs (policy option 1). As a consequence we reject the undifferentiated usage of the holistic balance sheet as a catch-all approach because it doesn't fit the diversity of European IORPs:In our opinion, the holistic	Noted

			balance sheet approach doesn't meet the characteristics of sponsor-backed IORPs and to some extent Article 17 (3) IORPs. A resonable holistic balance sheet model implies that the value of the employer covenant (backed by the pension protection scheme) will have to be determined by the gap it is supposed to fill. This will be the gap between the financial assets on the one hand and technical provisions IORPs should only be bound to hold additional assets above the technical provisions to the extent they are not sponsor-backed.	
70.	ICAEW	12.	What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs should be retained or removed? Without prejudice to our view (expressed above) that a harmonised solvency regime for IORPs is neither necessary nor practical, we consider that (if a harmonised regime is to be imposed) we would support the concept of a holistic balance sheet, incorporating all prudential mechanisms in the overall solvency assessment (including, for example, the employer covenant). However, we note that insufficient detail is provided in respect of various fundamental components of the holistic balance sheet, such as valuation of the employer covenant and the length of recovery periods. It is also unclear what the consequences would be if the holistic balance sheet 'does not balance'. A harmonised, centrally prescribed, approach would not be appropriate given that the nature of pensions liabilities are a function of national legislation which differs greatly between	Noted

			Member States. Therefore, we believe there should be an EU framework set out at 'Level 1' (ie in the Directive), setting out the principles of measurement for the various components. This framework should provide sufficient flexibility to allow Member States to make any necessary adjustments in order to implement appropriate mechanisms for assessing / measuring the various components that take account of the different national legislative requirements underpinning the pensions promise. Once this framework has been developed, it should be reflected in a proper impact assessment to enable respondents to properly consider the proposals.	
71.	IMA (Investment Management Association)	12.	At a general level, we welcome the move by EIOPA to respond to the Commission's call for a sui generis approach to pension provision rather than simply transposing the approach currently being developed for the insurance industry under Solvency II. In this respect, the holistic balance sheet does indeed appear at first sight to try to take account of the specific features of national regimes: eg. the role of the employer covenant and Pensions Protection Fund in the UK defined benefit environment. However, as we mention in our general comments, it is impossible to difficult to respond further on key areas, such as the employer covenant, as there is insufficient detail. Our concern remains that the template for implementation measures will still remain Solvency II with the result that there will be a significant challenge for DB pension schemes and a threat to the sustainability criterion that is at the heart of the Commission's Green Paper agenda. We believe this threat could primarily be in the form of risk-free discount rates, increasing technical	Noted. EIOPA recognises that there is much further development needed to implement the HBS concept. The question of the assumptions to be used in the preparation of a HBS and therefore the impact of the use of the HBS are considered in chapters 9 and 10.

			provisions without taking into account either the specific circumstances of individual schemes or the nature of employer-backed trust-based provision. As work by Punter Southall has pointed out, depending on how these changes are calibrated, this could lead to an increase of up to 90% in technical provisions.☐ In the context of the forced de-risking of pension schemes that could follow the introduction of such changes, we would also draw attention to the broader potential impact on both equity markets and the wider economy. While it is the case that UK DB pension funds have been both reducing their equity exposure and specifically their domestic equity exposure for some time, they are still substantial holders of UK equities. Forced redemptions could have a significant destabilising effect both on market valuations and on the future ability of UK companies to raise capital via equity issuance. With respect to DC schemes, we would like to see more elaboration regarding the operational risk component of the balance sheet. We agree with EIOPA that pure DC should see a precise matching of assets with liabilities. We also agree that that operational risk is an issue that needs to be addressed in DC provision. However, where DC provision is outsourced to an external provider (in a bundled or unbundled form) by the IORP, much of the operational risk associated with the pension will be assumed by the providers. It is therefore not clear whether there might be duplication if the IORP itself is also required to make provision for certain aspects of operational risk.	

			Overall, and particularly given the absence of detail surrounding the impact of the holistic balance sheet approach, we support the retention of the distinction between different types of IORP (Option 1), particularly to take into account the different nature of sponsor-backed IORPs.	
72.	ING Insurance	12.	The idea of a holistic approach appears attractive. However, developing this into a useful approach must ensure that the unique features of each country's pension systems really are fully taken into account. A well-designed holistic framework has the potential to become a central and valuable element of a common methodology. However, as the current Solvency II regime is still work in progress, particularly as regards long-term products, and one should be cautious about the application en bloc of current elements of Solvency II to pensions.	Noted
73.	Institute and Faculty of Actuaries (UK)	12.	We believe that the concept of the holistic balance sheet has merit. However the potential practical consequences of a an inflexible adoption of such a model are significant. More thought and research is needed to assess the consequences of adopting different variations and applications of the concept both in terms of the practicality and in terms of the costs of such proposal. It may be that the aim of a single regime to cover all three types of IORPs is not achievable in practice but the concept of the holistic balance sheet should be developed further to investigate its feasibility before any change is made. It is our understanding that, in effect, the UK Pensions Regulator already carries out such holistic assessments, but inevitably on a largely qualitative basis, when assessing the funding plans of UK sponsor-backed IORPs. There is merit in seeking some more	Noted. EIOPA recognises that there is much further development needed to implement the HBS concept.

			objective assessment of the support available from employers to support member security (see also our response to Q33), although we have doubts as to just how objective such quantitative measures are capable of being. We also consider that the communication of such holistic assessments to members needs further investigation. We do wonder what the consequences of an insolvent holistic balance sheet would be. IORPs are not profit making organisations and cannot raise additional capital other than from the sponsoring employer (this would simply transfer the value of the employer covenant from the sponsor to the IORP and thereby have a neutral impact on the holistic balance sheet overall). If all future possible support from a sponsor is already factored into the asset valuation as per Components 6 and 7, where can any further support for the IORP come from? Do the limited options available justify the change in regulatory regime? A very long transitional period (perhaps of 20 years or so) would be required to implement such holistic assessments for practical and other reasons.	
74.	KPMG LLP (UK)	12.	The proposal of a holistic balance sheet would in theory allow for a consistent approach to the three stated types of IORPs. However we see great practical difficulties in formulating rules for the evaluation of Component 6 (Contingent assets) and particularly Component 7 (Sponsor covenant and Protection schemes). Even if such rules can be formulated, to cover all the different types of sponsoring employers (listed companies, private companies, charities, other not-for-profit organisations, etc), the costs of carrying out such calculations on a regular basis are likely to be excessive. As with other proposals, it is essential that an impact analysis be	Noted. EIOPA recognises that there is much further development needed to implement the HBS concept.

			carried out , to cover both the practicality and the costs of such a proposal. It may be that the aim of a single regime to cover all three types of IORPs is not achievable in practice. We note our understanding that the UK Pensions Regulator already effectively carries out such holistic assessments, but inevitably on a largely qualitative basis, when assessing the funding plans of UK sponsor-backed IORPs. We would recommend consideration of such a qualitative approach, before embarking on a detailed consideration of a quantitative approach. We do wonder what the consequences of an insolvent holistic balance sheet would be. If all future possible support from a sponsor is already factored into the asset valuation as per Components 6 and 7, where can any further support for the IORP come from?	
75.	Le cercle des épargnants	12.	The Holistic Balance Sheet could be a good tool as it ensures greater transparency and disclosure and would make comparable all the institutions together. The Holistic Balance Sheet should be based on a fully harmonised risk's measurment and made public.	Noted
76.	Macfarlanes LLP	12.	13. (Chapter 8 – Quantitative requirements) What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs should be retained or removed?	Noted Although they have not yet been discussed, EIOPA recognises that the

			14. 1. Company pension schemes work (in a funded context) by putting assets aside with the prospect of continuing to do so, as long as the scheme continues. In a UK context, the trust assets set aside in this way are bolstered by a variety of legal obligations and protective mechanisms, designed to provide member protection while recognising the range of other obligations (e.g. to bankers, suppliers, creditors and employees). The objective of Solvency II levels of reserves in respect of company schemes is therefore inappropriate. The holistic balance sheet, which is designed to shoe-horn company pension schemes into an insurance framework is superficially attractive, but is probably unworkable as envisaged as well as being both unnecessary and harmful. 15. 2. The application of any solvency objective of the sort proposed could not be achieved without an extremely long transition period, since the retrospective nature of the obligations sought to be imposed will have an extremely significant impact on sponsoring companies and their investors and their ability to sustain current levels of pension provision. From a practical viewpoint, the changes are likely to damage those companies' ability to respond to current economic challenges and to contribute to the recovery of the European economy. They represent an unnecessary use of capital resources which could be better used elsewhere, since members are already protected under current law. 16. 3. The holistic balance sheet itself carries a number of difficulties with it. How is the value of the employer covenant to be properly valued in any meaningful way, when normal business activity could mean that changes in the value would have to be reflected in additional contributions or security within a short time scale? What about the costs of such valuations, and the management time involved? And if additional	design of transition arrangements to any new system will be very important

			contributions or security cannot be found to balance any cyclical downturn what is to be the result? Members do not have the choice of getting another employer to contribute to their pension – and unnecessary demands on the business could prejudice members' jobs as well as their pension. These are unnecessary diversions from the company's business and unnecessary given the degree of member protection already afforded under domestic and EU legislation. 17. The distinction between Article 17(1) and 17(3) IORPs and sponsor based IORPs should be retained. The suggestion in paragraph 8230 of the consultation document that the existing distinction could give rise to regulatory arbitrage is wholly academic. No employer choosing to set up a company pension scheme would consider this as an issue. Additionally, defined benefit pension schemes in the UK are not in competition with one another in finding new customers.	
77.	MAN Pensionsfonds Aktiengesellschaft	12.	We strongly recommend to maintain the clear distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs (policy option 1). As a consequence we reject the undifferentiated usage of the holistic balance sheet as a catch-all approach because it doesn't fit the diversity of European IORPs: In our opinion, the holistic balance sheet approach doesn't meet the characteristics of sponsor-backed IORPs and to some extent Article 17 (3) IORPs. IORPs should only be bound to hold additional assets above the technical provisions to the extent they are not sponsor-backed.	Noted
78.	MAN SE	12.	We strongly recommend to maintain the clear distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs (policy option 1). As a consequence we reject the undifferentiated usage of the	Noted

			holistic balance sheet as a catch-all approach because it doesn't fit the diversity of European IORPs: In our opinion, the holistic balance sheet approach doesn't meet the characteristics of sponsor-backed IORPs and to some extent Article 17 (3) IORPs. IORPs should only be bound to hold additional assets above the technical provisions to the extent they are not sponsor-backed.	
79.	Mercer	12.	Although the idea of a holistic balance sheet that presents the value of the scheme's liabilities against all the sources of capital available to the scheme seems attractive, in practice it could be difficult to achieve a useful outcome. Since it is unclear from the consultation how the concept will be used in practice, it is difficult for us to form a strong view one way or the other. Our particular concern is largely in relation to the valuation of the company covenant, but also the accounting treatment of contingent assets. The proposal seems to be that the scheme managers would place a value on the extent to which the company covenant is available to them. This will be, at best, an extremely complex exercise. Even in the simple case where there is a single sponsoring employer, the employer's 'spare' capital is likely to have prior calls on it, some contractually constrained and others tied to the needs of shareholders and internal business plans. Also, quite reasonably there is a requirement for asset valuations to be 'market consistent'. In the case of employer covenant, there is no market, so the best to hope for is "mark to model", but corporate finance models are generally not transparent and incorporate many subjective elements. For example, in some cases it might be possible to use bond spreads	Noted. EIOPA recognises that there is much further development needed to implement the HBS concept.

			or the cost of credit default spreads could be used to construct a proxy measure, but it would be far from perfect, since these only reflect the specific bond holders' positions, which will be very different from the IORP's. In addition, where there is no legal access to sponsor covenant (for example, the sponsors legal commitment is only to pay the cost of ongoing accrual), then as well as ability to pay, willingness must be taken into account, and this may prove particularly challenging to value. Perhaps the best that can be hoped for is that the liabilities are fully determined (so, in particular, Component 3, which is described as 'excess of assets over liabilities', is determined – if deemed necessary – using some specific formula). Then, the difference between the calculated liabilities and the aggregate of the scheme's financial assets and its 'known' prospective assets (recovery plan and, where possible to value, contingent assets and protection funds) could be described as 'excess of liabilities over assets'. In principal, it would then be clear the extent to which member security relies on the company covenant. There could be a consequent responsibility on IORPs to consider whether the extent of reliance is realistic, give the information available to them about the sponsoring employers and, for example, their future business plans and prospects. In practice, there are also difficulties in measuring liabilities consistently, since different scheme designs provide members with different levels of security or expectation. Whilst valuing fixed benefits might be relatively straightforward, contingent or indexed benefits create more problems and conditional benefits, which effectively introduce risk mitigating features onto the liability side of the equation, raise another level of complexity.	

			Since one of the EC's objectives is to achieve harmonisation throughout the EU, we also observe that the circumstances and extent to which IORPs have access to the employer covenant varies, depending on local member state legislation. Depending on whether, and how, the requirement to place an auditable value on the company covenant is used in the amended IORP Directive, it is possible that a material additional cost of pension provision could be placed disproportionately on pension schemes registered in a very small number of member states (that is, directly on the employers that sponsor those schemes). Since the UK is the only member state where employer covenant has come to form part of the funding regime, it is possible that the idea of the holistic balance sheet was devised to address some of the practices adopted by UK schemes. However, we feel our alternative presentation addresses exactly the same points made in Chapter 8, but without imposing the cost and complexity determining an actual value would require. In particular, we agree that the employer covenant should be taken into account in some form when determining the amount of financial assets defined benefit schemes are expected to target as part of the regulatory regime. Ultimately, the effectiveness of the concept depends on how it will be used by EIOPA and member state supervisory authorities: the consultation is silent, for example, on the steps it might expect an IORP to take if the assets measured using the holistic balance sheet approach are insufficient to meet the IORP's total liabilities, which could include solvency capital requirements. If	

			the presentation is to be made available to IORPs to consider whether they are appropriately financed, given the information it provides about the quantity of risk the liability and asset profile imposes, then this seems a useful exercise; however, we would find it far more difficult to accept if the intention is for supervisors to impose onerous funding obligations on employers as a consequence of a shortfall on the asset side of the balance sheet against the total liabilities, including the Solvency Capital Requirement (SCR). We do not comment on the different components it is suggested could be included in the holistic balance sheet in this question, since they are considered further under Call for Advice 5. 12. (contd) We agree that the difference between IORPs that target defined benefits or investment returns, without recourse to the sponsor in the event of underfunding (Article 17(1) IORPs), should continue to be distinguished from those IORPs that do rely on the sponsor. For example, in the former case, it would be unreasonable for the scheme to consider that the employer's covenant served as a contingent asset available to the scheme, particularly following adverse experience. However, we do not understand the description of IORPs where the regulatory regime draws on the permissive nature of Article 17(3), as 'different' from other IORPs. In this case, it is the regulatory regime that is different, so we do not think the	

			distinction is needed. Indeed, retaining Article 17(3) could undermine the EC's objective of harmonising regulatory standards throughout the European Union. It would create a more level playing field if the schemes established by employers on the understanding that the company covenant must be made available to the scheme to cover shortfalls in funding whilst the scheme and employer are ongoing, and/or in extremis, all had to be regulated consistently, rather than enabling the supervisory authorities in some member states to regulate differently than others.	
80.	MHP (Vakcentrale voor Middengroepen en Hoger Perso	12.	The idea of a holistic balance sheet seems to offer theoretical possibilities for harmonisation, but the complexities involved make this an instrument that is unsuitable as a primary supervision tool. The concept should be developed further, where both an impact assessment by the Commission and a quantitative impact study by EIOPA are essential, before any decision can be made whether the holistic balance sheet can and should be used as a supervisory tool. The MHP is willing to support both the EC and EIOPA in making these assessments if and when needed. Consideration may be given to using the method as an internal model that can possibly lead to lower solvency buffers if properly used. This use will account for the proportionality issues for smaller IORPs that are involved in using a complex tool. The distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs can be retained. However, we do note that this distinction is not complete and does not cover all forms of IORPs. A category should be added in which the members themselves bear (part of) the risk, as opposed to the IORP as an institution.	Noted

82.	National Association of Pension Funds (NAPF)	12.	QUANTITATIVE REQUIREMENTS What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs should be retained or removed? The NAPF does not support the holistic balance sheet proposal. With such a diversity of pension systems across the EU's 27 Member States, it is impossible – and undesirable – to find a single regulatory system that would work well in every Member State. It would be better to retain the high-level framework provided by the current IORP Directive, which allows Member States – as intended under the Subsidiarity rule that applies to pensions policy – to develop funding regimes that suit their own patterns of pension provision. Existing system works The UK already has a robust system of pension scheme funding that provides strong protection for members' benefits. The UK's 'scheme specific funding regime', thoroughly reviewed and overhauled in 2005, is now tried and tested. It helped IORPs to survive the recent financial crisis – effectively a major stress test of regulatory systems. And it is flexible enough to recognise the circumstances of individual schemes while still ensuring that members' benefits are safeguarded.	Noted

			The NAPF sees no need to replace this framework with a new, untested system that would introduce unknown risks and uncertainties. An alternative might be to place greater emphasis on the use of Own Risk and Solvency Assessments (ORSAs), which could provide a more flexible, qualitative approach to assessing pensions security. Destabilising impact on scheme funding levels Although the consultation paper gives little detail on how important components of the holistic balance sheet would be valued (eg, the sponsor covenant and pension protection guarantees), it seems almost certain that the new approach would dramatically raise funding requirements in a manner that would undermine pension provision, rather than strengthen it. The NAPF's research across a sample of our member pension schemes (summarised in the graphic below) indicates that the likely switch to the use of a risk-free discount rate to value the 'best estimate of liabilities' would increase technical provisions by an average of around 27%. This equates to an increase in technical provisions across all UK DB schemes of €337 bn. Additional components, such as the 'risk buffer' and 'solvency capital requirement' would drive these figures even higher, and the NAPF's case for excluding these elements is set out in our	

			answers to Q.18 and Q.38. ☐ An increase in scheme funding requirements on this scale would have damaging consequences. ☐ Weaker sponsor covenant. the sponsoring employer would be placed in a weaker position, needing to find extra money to fund bigger contributions or recovery contributions into the pension fund. This would increase the company's insolvency risk, thereby undermining the covenant. This would be a bad outcome for the scheme's members. ☐ More scheme closures and more risks for members. The extra expense of running the company pension scheme would inevitably force more employers to reduce or cease providing pension benefits to their employees, resulting in less generous benefits for scheme members. We would see further shift from defined benefit to defined contribution pensions, creating a system in which members have a greater exposure to risks. So a Solvency II-style regime might actually undermine pensions security, as well as reducing adequacy – contrary to the Commission's objectives as set out in the July 2010 Green Paper Towards Adequate, Sustainable and Safe European Pensions Systems.	

			EIOPA’s proposals would also increase the complexity involved in assessing Technical Privisions, thereby increasing IORPs’ actuarial costs. Contractionary impact on EU economy There would be a number of negative impacts on the economy that would make it more difficult for the EC to achieve the targets for job creation and investment set in the ‘Europe 2020 growth strategy’. ☐ Less corporate investment. If sponsor companies have to find more money for pension contributions, then they will have less available for investment and job creation. ☐ Lower company share prices / increased insolvency ratings. The prospect of increased pension burdens on sponsoring companies would drive down their share prices and drive up their insolvency ratings. ☐ Less investment in equities. IORPs like to match their assets to their liabilities. The use of risk-free discount rates for calaculation of liabilities would incentivise IORPs to shift (even more than at present) away from investment in return-seeking asset classes such as equities and into risk-free or low-risk assets such as government or corporate bonds. This would – again – mean less money available for equity investment in the EU economy. This effect would undermmine the effectiveness of the current rounds of Quantitative Easing.	

			☐ Lower tax take. Impaired corporate performance would mean a lower tax take for the Government. There is also a risk that lower employment levels would drive welfare spendiing higher than expected. ☐ Gilt yields reduced. Although increased demand would push gilt prices up, yields would be reduced, undermining an important income stream for IORPs. ☐ ☐ Risks of Level 2 regulation Although the holistic balance sheet would give some credit for the sponsor covenant and pension protection guarantees, the consultation paper provides no detail on how these components would be valued. In the absence of this detail, the NAPF is unable to rely with any confidence on these components mitigating the very damaging effects of the components that would dramatically raise scheme funding requirements, such as the 'best estimate of liabilities' and the 'risk buffer'.	

			The NAPF would strongly oppose any move to leave this clarification to level 2 regulation; it is essential that such important issues should be clearly defined in the Directive itself. Retain distinctions between different kinds of IORP One of the drivers for the holistic balance sheet approach is to develop a single regime that could be applied to all kinds of IORP, including those where the sponsor provides guarantees as well as those where the risks fall squarely on the scheme itself (Article 17.1 IORPs). The NAPF does not agree that there is merit in applying a single regulatory regime to these different kinds of IORPs, not least because of the disruption for sponsor-backed IORPs and the EU economy described in the paragraphs above.	
83.	NEST Corporation	12.	While we can see some conceptual merit in the 'holistic balance sheet' approach, the special nature of NEST means that technically it might not be straightforward for us to construct. Legally, we are simultaneously both: a. NEST Corporation, a public body, established by statute, charged with reporting to the UK parliament on the costs of running the NEST scheme through a set of accounts based on UK public sector accounting rules b. the scheme itself, an IORP, created by statute and run as	Noted. EIOPA recognises that there is much further development needed to implement the HBS concept.

			a trust based scheme and required to report to members on the basis of UK occupational pension scheme disclosure provisions. We would, therefore, be very interested in contributing to subsequent thinking on the details of how this approach could be applied as it is far from obvious that the benefits would outweigh the costs.	
85.	NORDMETALL, Verband der Metall- und Elektroindustr	12.	What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction between Article 17 (1) IORPs, 17 (3) IORPs and sponsor backed IORPs should be retained or removed? We strongly recommend to maintain the clear distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs (policy option 1). As a consequence we reject the undifferentiated usage of the holistic balance sheet as a catch-all approach because it doesn't fit the diversity of European IORPs: In our opinion, the holistic balance sheet approach doesn't meet the characteristics of sponsor-backed IORPs and to some extent Article 17 (3) IORPs. A reasonable holistic balance sheet model implies that the value of the employer covenant (backed by the pension protection scheme) will have to be determined by the gap it is supposed to fill. This will be the gap between the financial assets on the one hand and technical provisions. IORPs should only be bound to hold additional assets above the technical provisions to the extent they are not sponsor-backed.	Noted
86.	Pan-European Insurance	12.	(1) Europe's pensions diversity cannot be harmonized away but	Noted.

	Forum (PEIF)		it can be made more manageable by becoming more transparent. This is why PEIF proposed a common language on pensions so as to allow similarities and differences between different types of pensions to be identified, measured and valued. Therefore, the idea of a holistic approach appears attractive. However, developing this into a useful approach must ensure that the unique features of each country's pension systems really are fully taken into account. A well-designed holistic framework has the potential to become a central and valuable element of a common methodology. However, as the current Solvency II regime is still work in progress, particularly as regards long-term products, and one should be cautious about the application en bloc of current elements of Solvency II to pensions. There are also unanswered questions about the valuation of sponsor covenants and the practical consequences of identifying the extent of the liability under the covenant. Thorough evaluation of the consequences of the system in all conceivable economic circumstances should be undertaken before principles are adopted. This should include potential member and employer actions and investment actions of the fund. Therefore, at this stage, PEIF cannot unconditionally endorse the concept of a holistic balance sheet. However, it believes that it is worth further exploration and development including, where appropriate, by impact assessments. Once the holistic balance sheet and its possible variants become more defined, PEIF believes that it should be assessed again before a proposal for IORP II is tabled. (2) Until the detail of the holistic balance sheet becomes clearer	EIOPA recognises that there is much further development needed to implement the HBS concept.

			and potential solutions to the points identified above can be found, PEIF as a group refrains from taking a view on retaining the current distinctions.	
88.	Pensioen Stichting Transport (Netherlands)	12.	We prefer policy option 1, because we think that there is and should be a distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs. The idea of a holistic balance sheet seems to us a theoretical one. As a consequence we reject the usage of the holistic balance sheet as a catch-all approach because it doesn't fit the diversity of European IORPs. The holistic balance sheet approach doesn't meet the characteristics of sponsor-backed IORPs and to some extent Article 17 (3) IORPs. A reasonable holistic balance sheet model implies that the value of the employer covenant (backed by a pension protection scheme) will have to be determined by the gap it is supposed to fill. This will be the gap between the financial assets on the one hand and technical provisions. IORPs should only be bound to hold additional assets above the technical provisions to the extent they are not sponsor-backed.	Noted
89.	Pensioenfonds Zorg en Welzijn (PFZW)	12.	The idea of a holistic balance sheet seems to offer theoretical possibilities for harmonisation, but the complexities involved make this an instrument that is unsuitable as a primary supervision tool. The concept should be developed further, where both an impact assessment by the Commission and a quantitative impact study by EIOPA are essential, before any decision can be made whether the holistic balance sheet can and should be used as a supervisory tool. The Pensioenfederation is willing to support both the European Commission and EIOPA in making these assessments if and when needed. Consideration	Noted. EIOPA recognises that there is much further development needed to implement the HBS concept, and that cost/benefit analysis will be important.

			may be given to using the method as an internal model that can possibly lead to lower solvency buffers if properly used. This use will account for the proportionality issues for smaller IORPs that are involved in using a complex tool. The distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs can be retained. However, we do note that this distinction is not complete and does not cover all forms of IORPs. A category should be added in which the members themselves bear (part of) the risk, as opposed to the IORP as an institution.	
90.	Pensions Sicherungs-Verein aG (PSVaG), Köln.	12.	What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs should be retained or removed? From the point of view of the PSVaG the application of the principles of Solvency II to IORPs is not necessary for pension promises protected by unlimited sponsor support and pension protection schemes. If the holistic balance sheet allows for the full value of the above-mentioned security mechanisms without restricting it to the amount of the solvency capital requirements it would always be possible to prove that the promises are sufficiently protected. The calculations necessary to set up the holistic balance sheet would cause high administrative costs. Employers could be tempted to reduce occupational pension promises. This possible effect would contradict the aim to increase the spread of old-age-provision in Germany. Therefore the distinction between the different types of IORPs in Article 17 of the current IORP Directive should be retained. It would also be necessary to leave the provisions on the calculation of technical provisions in Article 15 unchanged for	Noted

			IORPs with security mechanisms such as unlimited sponsor support and pension protection schemes.	
91.	Pensionskasse der Mitarbeiter der Hoechst-Gruppe V	12.	Comment on CfA 5 and 6: Quantitative requirements / Holistic Balance Sheet Approach In the Call for Advice, the EU-Commission made it clear that they wished EIOPA´s response to provide for a common, harmonized level of security for benefits provided by Institutions of Retirement Provision (IORPs) by establishing a single solvency framework that would be applicable for all types of IORPs. In order to achieve these objectives, EIOPA therefore developed the Holistic Balance Sheet Approach and holds the opinion that this balance sheet should be established to "record and measure the obligations and resources of an IORP on a consistent basis". The introduction of such a risk-based system of supervision would inevitably lead to the abandonment of the current distinction between Art. 17 I IORPs, sponsor-backed IORPs and Art. 17 III IORPs. With respect to the suggested Holistic Balance Sheet Approach and to the view of EIOPA, there seems to be a too strong tendency to harmonize the framework of retirement provision throughout the European Union at all costs. Nevertheless, the ratio of all regulative measures primarily has to keep in mind the need of protecting the pension entitlements	Noted. EIOPA recognises quantitative impact and cost/benefit analysis are important for a final decision.

			of the members / beneficiaries / insured persons. A protection of members / beneficiaries / insured persons of occupational retirement provision assumes that there still is an existing system of occupational retirement provision across Europe and especially in Germany. The implementation of the Holistic Balance Sheet Approach, as recommended by EIOPA, would simultaneously signify the implementation of risk-based supervision and Solvency Capital Requirements (SCR) for IORPs according to the regulations of the Solvency-II-Directive, which obviously has been the starting point for the development of the Holistic Balance Sheet Approach. Therefore, as already recognized by EIOPA itself on the draft response, the risk-based supervision as well as the included Solvency Capital Requirements could / would lead to “additional costs for IORPs and sponsors which could undermine the cost-efficiency of occupational retirement provision in the EU” and signify a “risk of employers reducing occupational retirement provision (at least for future employees) in the European Union”. Especially in Germany, the Holistic Balance Sheet Approach as well as the included risk-based Solvency Capital Requirements would lead to a massive cost-increase of occupational retirement provision that would have to be beared either by the employers through higher financial support and / or by the members / beneficiaries through reduced entitlements / benefits. In the end, such economic conditions would lead to a situation, in which there would be no occupational retirement provision offered anymore to the employees by the employers. Additionally, there is no reasonable way to reduce these upcoming costs by taking into consideration the existing different security mechanisms of IORPs while using the Holistic Balance Sheet Approach. A due consideration of the different	

			security mechanisms existing for IORPs (e.g. sponsor support, benefit adjustment mechanisms or pension protection schemes) by valuating them as a separate asset or by taking them into account for example by reducing the sponsor´s insolvency risk might be a testable / verifiable suggestion. However, by valuating security mechanisms for example as an asset while using the Holistic Balance Sheet Approach, the problem of financing the Solvency Capital Requirements would simply be moved to another level, e.g. to the sponsoring undertakings. Furthermore, the EIOPA draft response recommends no reasonable method / basis of calculating / valuating security mechanisms within the Holistic Balance Sheet Approach. The Holistic Balance Sheet Approach would mean this massive increase of the Solvency Capital Requirements for several reasons and is thus not suitable: Since IORPs are limited to the business concept of lifelong pension payments and have marginal cancellation rates, their obligations have a much higher duration than those of life insurance companies (IORPs: 20-30 years; insurance companies: 8-10 years). At the same time, a duration match on the asset is not practicable because of the limited availability of capital market instruments. In context with the interest rate stress scenario, the duration, on average three times longer compared to insurance companies, will lead to a leverage effect that will influence the Solvency Capital Requirements and thus raise them to an unbearable peak. In comparison to insurance companies, IORPs have also limited	

			possibilities to create / increase their capital funds. As sources, they are only allowed to use the employers and the employees as well as the interests on capital assets. Therefore, increased Solvency Capital Requirements at the expense of the members / beneficiaries and / or the sponsors are neither reasonable nor desirable. Furthermore, a one year-horizon and a confidence-level of 99,5 % on the risk-based system of the Holistic Balance Sheet Approach as currently being discussed is also not appropriate for IORPs. While taking into account accrual and payout phases, Pension obligations are distributed over an average term of 50-80 years. While applying the described time-horizon and confidence level, results would become highly sensitive to fluctuations in the interest rate curve which also refers to that specific date. Since there is no need for IORPs to be able to liquidate its obligations at any time, due to the non-redeemable nature of its commitments, there is an obvious conflict between the short-term balance model of the Holistic Balance Sheet Approach and the long-term nature of the operations of IORPs, that operate on the well known "buy and hold" strategy. During the economic and financial crisis of the past years, IORPs were able to act as a stabilizing factor to the financial markets because of the long-term nature of their operations. Thus, the IORPs investment policy up to now had an anticyclical and therefore calming effect to the financial markets. If IORPs would be subjected to the regulations following the Holistic Balance Sheet Approach, they would also have to act on a short-term operating strategy, contrary to the current long-term approach, to mitigate and avoid unbearable Solvency Capital	

			Requirements. IORPs would thus lose their stabilizing role and would also have to act market-consistent. The Application of the Holistic Balance Sheet Approach, that is comparable to the Solvency–II-regulations, would therefore not only lead to harmonized balance regulations for IORPs across Europe, but also increase pro-cyclical market-effects and the volatility of the financial markets. EIPOA has already recognized the problem of pro-cyclicality by suggesting the implementation of so-called “equity and pillar II dampeners”, that should at least mitigate these effects. Furthermore, there is no need for a harmonized security-level in between IORPs themselves or between IORPs and insurance companies. There is no “level playing field”, that could justify an approach according to the statement “same rules, same capital”: IORPs, especially German IORPs, act as social institutions because of a legal mandate and thus in public interest. Therefore, they are non-profit oriented in opposite to the insurance companies, that have to earn profit to satisfy their shareholders and offer their products on a competitive market and in an international periphery. A “level playing field” on occupational pensions would also mean, that insurance companies should not be allowed to draw any profits from these operations nor to charge any provisions for “selling” such products. Moreover, IORPs as “monoliners” only offer occupational retirement provision, pensions promises that are offered from the employers to the employees in addition to their regular	

			revenues. Therefore, the institutions and their products are subject to the national social and labour law of the member states, that has not been harmonized on the EU-level yet and for that reason as already mentioned fully remains under control of the member states. Insurance companies on the other side offer insurance-products on the European Single Market as part of the free movement of services and are therefore already subject to the European regulation. Considering these differences, there is no need for a harmonization because of the disparity of the offered products and the different legal requirements that have to be noticed. In Europe, according to a speech of the EIOPA chairman Mr. Bernardino, held at November, 15 2011 in Frankfurt, there were 140.000 existing IORPs at the end of 2009. These institutions simultaneously represent thousands of employers and also millions of members / beneficiaries / insured persons. If there is the political desire of a harmonized security-level in awareness of the condition "same rules, same capital", it is still not comprehensible that 140.000 IORPs should in future be subject(ed) to the legal framework of just 4.753 insurers. By considering the number of IORPs and the number of insurance companies, a harmonization can / should therefore only take place by the application of the current IORP-Directive and the Solvency regulations of Solvency I also to insurance companies. With respect to EIOPA and its objectives, in reference to quantitative requirements for IORPs, the written draft response does not contain an impartial assessment of all options. As already mentioned on p. 216 of the draft response, "following the clarification of the Commission", EIOPA agreed to "consider	

			only those options in the advice that are compatible with the Holistic Balance Sheet Approach”. As a consequence, there was no adequate analysis of option 1, the proposal to continue with the distinction referring to Art. 17 of the current IORP-Directive. For these reasons, option 1 must also be taken into account on the announced quantitative impact study for the Holistic Balance Sheet Approach. The assessment of both options has to be evaluated in order to obtain some clear impact results. Therefore, the quantitative impact study should at least include the following contents: - National organization of occupational retirement provision (fencing off to first and third pillar) - Existing security mechanisms for IORP´s (e.g. pension protection schemes, supervisory authorities) - Impact on the future asset-allocation of IORPs - Financial and fiscal impacts on IORPs, employers, employees and the national budgets of the member states - Impact on the coverage-level of occupational retirement provision - Impact on the pension promises as well as on the national social and labour law To sum up, IORPs are not comparable to insurance companies. There is also no “level playing field” for these institutions, and therefore no need for a harmonization. The members / beneficiaries and their entitlements / benefits are already	

			safeguarded by national security mechanisms and the guarantees of the sponsoring undertakings. An application of option 2, the Holistic Balance Sheet Approach, will just increase the costs of occupational retirement provision and therefore mitigate the amount of the benefits and also the coverage level. The Balance Sheet is also not suitable for technical reasons because of the mentioned specialties of IORPs. As a result, the suggested option 1, the regulations of the current IORP-Directive within the current distinction of Art. 17 IORP-Directive should be pursued in the future discussions.	
92.	Predica	12.	Predica considers that the Holistic Balance Sheet could be a good tool for the assessment of the overall financial statement of the IORP. It would be seen as a prudential supervisory solvency assessment tool. In Predica opinion, the Holistic Balance Sheet goes in the direction of greater transparency and disclosure, and would make comparable all the institutions together. This approach would acknowledge the existing variety of occupational pension systems and yet would capture all these systems into a single balance sheet. In a competitive environment, the beneficiaries could then make their choice knowing precisely who bears the risk. The protection of beneficiaries should be strengthened by disclosure requirements under Pillar III of the future IORP directive. HBS will only be relevant if based on a fully harmonised risk's measurements. For instance, there must be consistency between interest rates, pension protection scheme and insurance Guarantee Scheme...	Noted

			The HBS should be made public.	
93.	prof.dr. A.A.J. Pelsser HonFIA, Netspar & Maastric	12.	6. The aim of the holistic approach is to achieve a comparable supervision tool by permitting different security mechanisms across member states. This method has several clear advantages both for the pension fund itself and for the supervisor that has to assess the financial health of the pension fund. 7. o It considers all possible security mechanisms as forms of solvency. Intuitively, a pension scheme with sponsor backing in case of shortfalls offers beneficiaries higher protection than an otherwise identical pension fund without such a backing. If part of the required protection can be provided for by the sponsor, the protection through own funds can be lower compared to a situation without sponsor support. 8. o Different pension funds, and theoretically even different pension schemes (i.e. even unfunded schemes), can be compared and assessed based on their overall solvency position. This could enhance transparency and comparability for beneficiaries. 9. However, applying the holistic approach in practice also offers challenges: 10. o Valuation is usually not straightforward. It may not be easy to derive analytical formulas that can provide an unambiguous value of the security mechanism. Even by using simulation techniques, the method and techniques are time and resource intensive, making it more difficult for smaller pension schemes to apply it. Proportionality is obviously an issue here. 11. o The method involves an assessment of many non-	Noted. EIOPA recognises that there is much further development needed to implement the HBS concept.

			observable and non-tradable variables including sponsor credit risk and the correlation between the financial positions of both the pension fund and the sponsor. Due to the uncertainty surrounding the 'true' value of a measure in the holistic balance sheet approach, only a range of outcomes can be reliably determined. 12. As a final note: we believe the distinction between the IORP's should be removed. These are merely "different shades of grey" in the holistic balance sheet approach.	
94.	PTK (Sweden)	12.	PTK rejects the proposal of a holistic balance sheet when it is used for supervision. The complexities of a Holistic Balance Sheet make this an unsuitable as a primary tool of supervision. Workplace pensions are based on social and cultural traditions and strongly linked to first pillar pension provision in the different Member States. A single approach to pension security, which only focuses on short term solvency will jeopardize many existing European pension systems. The main assumptions underlying the holistic balance sheet approach are taken from the Solvency II model i.e. market consistent valuation of assets and liabilities, one year time horizon, 99.5% confidence level etc. Applying Solvency II rules to pension funds would mean a drastic increase in required assets. This is due to the use of different (lower) rates of discounting the liabilities and the implementation of (higher) capital requirements. The capital requirements aim to provide a high level of pension security in the short term, which would come at a very high price. PTK is also concerned that Solvency II capital requirements could lead to a de-risking of investment portfolios, threatening future returns and thus, benefit levels.	Noted. The holistic balance sheet is a methodological concept only, and the issue of what basis should be adopted for calculation is a separate issue which is considered in chapters 9 and 10.

			Solvency II regime for IORP would mean negative effects on the total European economy. Higher pension contributions and sponsor support automatically lead to higher labor costs and that will make the European economy less competitive. In addition, less capital will be available for investments which will have a negative impact on employment. Lower pension benefits will hurt the purchasing power of retirees and thus the consumption in Europe. This outcome would have a negative impact on employment in the European Union. The proposed revision is not in line with Europe 2020 Strategy. In addition, PTK is concerned that the EU debt crisis has already reduced FDI in European companies	
95.	Punter Southall Limited	12.	In our view, IORPS should be regulated by bespoke regulation tailored to their particular situation, not forced into an ill-fitting framework designed for a completely different sort of institution. The proposed holistic balance sheet attempts to make the Solvency II framework fit IORPs better, by allowing for the valuation of additional forms of security which are unique to IORPs, such as sponsor covenant and pension protection schemes. It is certainly true that such security mechanisms are a fundamental part of the risk-mitigation framework that applies to IORPs. The holistic balance sheet does not, however, address the fundamental inappropriateness of starting from a framework designed with a completely different type of financial vehicle in mind. In our view, pensions should be regulated by a regime designed specifically for pensions, not a regime designed for insurance that has been crudely hacked around to make it look a	Noted. The holistic balance sheet is a methodological concept only, and the issue of what basis should be adopted for calculation is a separate issue which is considered in chapters 9 and 10.

			little more appropriate to pensions. We believe that the distinction between Article 17 schemes and sponsor-backed schemes should be retained, and that a regulatory approach designed specifically with pension schemes in mind should continue to be applied to IORPs.	
96.	Railways Pension Trustee Company Limited ("RPTCL	12.	RPTCL has concerns about implementing a holistic balance sheet approach and we suggest that this item is given further consideration. Although it is recognised that items such as the strength of the supporting employer covenant and the existence of pension protection schemes are important considerations for trustees and managers of pension schemes, calculating a value for these items would be a complex and expensive task. RPTCL would support the retention of the existing approach whereby account is taken of the items such as the strength of the supporting employer covenant when calculating technical provisions without carrying out a complex calculation to quantify a value of the employer covenant.	Noted. EIOPA recognises that there is much further development needed to implement the HBS concept.
97.	Reed Elsevier Group plc	12.	We believe that a satisfactory holistic balance sheet will be impossible to achieve and that ultimately it will reduce clarity. Some of the elements will be difficult to value e.g. the sponsor's covenant or the PPF guarantee. It will create dissatisfaction from those who feel they have been treated unfairly and may distort the asset allocation in unpredictable ways. We believe that there is clearly a difference between sponsor backed and non-sponsor backed pension schemes and that the distinction in the regulations should be maintained.	Noted. EIOPA recognises that there is much further development needed to implement the HBS concept.
98.	RWE Pensionsfonds AG	12.	RWE considers the holistic balance sheet approach as a wrong	Noted

			regulatory approach. Pensions are a kind of deferred wage, which is only attractive if this form of payment is cheap (for employees and employers). Any approach to request substantial additional capital to provide such deferred payments will lead to an end of company pensions and might be replaced by higher cash salaries ("discounted"). This development does not serve the social aspects of pensions. The distinction between IORPs and sponsor-backed IORPs is of utmost importance. Sponsor-backed IORPs only provide a social service as a cheap administrator for deferred payments (=pensions). This is neither a product nor something that needs a level playing field. It is well appreciated if other financial institutions offer a product in such an area, but it makes no sense to artificially increase the cost-base of Sponsor-backed IORPs to the level of other IORPs.	
99.	Sacker & Partners LLP	12.	CfA8: Quantitative requirements What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction between Article 17(1) IORPs. 17(3) IORPs and sponsor-backed IORPS should be retained or removed? We do not believe that the Holistic Balance Sheet (HBS) is necessary, as extending the Solvency II requirements to IORPS is inappropriate. In the UK, the Pensions Act 2004 (which implements the existing IORP Directive) sets high standards for the funding of DB schemes, as well as governance requirements and protection for members. In addition, the UK Pensions Regulator has significant	Noted

			and wide-ranging powers to ensure that these standards are met. A factor which EIOPA and the Commission need to bear in mind is the distinction between pension providers that operate by way of business (such as insurance companies) and occupational pension schemes which are set up purely for the purpose of providing retirement benefits as an element of the employer's remuneration package. In the UK, the latter operate on a 'not for profit' basis, they are generally for the use of a single employer or group of companies and have ongoing support from the employer (unlike insurance companies, which take a one-off premium for providing an annuity). Such pension schemes are not competitors of the insurance industry. The Holistic Balance Sheet (HBS) proposal is unnecessarily complex and the full proposal is unclear. For example, EIOPA's draft advice does not include concrete proposals for measuring either the employer covenant or the level of support to be attributed to pension protection schemes. In the absence of any proposed method for valuing employer covenant (a significant element of the HBS for IORPs), it is not possible to comment in detail on the proposed implementation of the HBS. The last decade has seen significant decline in defined benefit (DB) pension provision due to increasingly stringent regulation and high costs. From the information provided, it appears likely the introduction of the HBS would signal the end of DB pension provision in the UK. The proposed introduction of the HBS approach represents a real risk that employers will abandon the idea of funded schemes (both DB and DC) if the solvency or minimum capital requirements are applied. The downgrading of pension benefits is a likely consequence of such increased regulation and cost - effectively the opposite result to the outcome of member	

			protection that the Commission is seeking to achieve. We appreciate that EIOPA has been asked by the Commission how funding requirements should be further harmonised, not whether they should be. However, the proposals take insufficient account of robust mechanisms and member protections which already exist in Member States such as the UK. We are of the view that EIOPA should not recommend the HBS approach to the Commission, particularly given the absence of any impact assessment. Proper modelling will be required before EIOPA can fully assess whether the HBS approach can operate in practice.	
100.	Siemens Aktiengesellschaft (Germany)	12.	What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction between Article 17(1) IORPS, 17(3) IORPs and sponsor-backed IORPs should be retained or removed? We strongly recommend to maintain the clear distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs (policy option 1). As a consequence we reject the undifferentiated usage of the holistic balance sheet as a catch-all approach because it doesn't fit the diversity of European IORPs:In our opinion, the holistic balance sheet approach doesn't meet the characteristics of sponsor-backed IORPs and to some extent Article 17 (3) IORPs. A resonable holistic balance sheet model implies that the value of the employer covenant (backed by the pension protection scheme) will have to be determined by the gap it is supposed to fill. This will be the gap between the financial	Noted

			assets on the one hand and technical provisions. IORPs should only be bound to hold additional assets above the technical provisions to the extent they are not sponsor-backed.	
101.	Siemens Pensionsfonds AG (GER)	12.	What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction between Article 17(1) IORPS, 17(3) IORPs and sponsor-backed IORPs should be retained or removed? We strongly recommend to maintain the clear distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs (policy option 1). As a consequence we reject the undifferentiated usage of the holistic balance sheet as a catch-all approach because it doesn't fit the diversity of European IORPs:In our opinion, the holistic balance sheet approach doesn't meet the characteristics of sponsor-backed IORPs and to some extent Article 17 (3) IORPs. A resonable holistic balance sheet model implies that the value of the employer covenant (backed by the pension protection scheme) will have to be determined by the gap it is supposed to fill. This will be the gap between the financial assets on the one hand and technical provisions IORPs should only be bound to hold additional assets above the technical provisions to the extent they are not sponsor-backed.	Noted
103.	Standard Life Plc	12.	The use of a holistic balance sheet approach, which brings in aspects which trustees may place significant value on (i.e.	Noted

			covenant and contingent assets) is welcome as an overall approach. However, we have concerns over both the complexity within the valuation of non-traded assets and the consistency which could be achieved across IORPs due to the subjective nature of a covenant, for example.	
105.	TCO	12.	TCO rejects the proposal of a holistic balance sheet when it is used for supervision. The complexities of a Holistic Balance Sheet make this an unsuitable as a primary tool of supervision. Workplace pensions are based on social and cultural traditions and strongly linked to first pillar pension provision in the different Member States. A single approach to pension security, which only focuses on short term solvency will jeopardize many existing European pension systems. The main assumptions underlying the holistic balance sheet approach are taken from the Solvency II model i.e. market consistent valuation of assets and liabilities, one year time horizon, 99.5% confidence level etc. Applying Solvency II rules to pension funds would mean a drastic increase in required assets. This is due to the use of different (lower) rates of discounting the liabilities and the implementation of (higher) capital requirements. The capital requirements aim to provide a high level of pension security in the short term, which would come at a very high price. TCO is also concerned that Solvency II capital requirements could lead to a de-risking of investment portfolios, threatening future returns and thus, benefit levels. Solvency II regime for IORP would mean negative effects on the total European economy. Higher pension contributions and sponsor support automatically lead to higher labor costs and that will make the European economy less competitive. In addition,	Noted. The holistic balance sheet is a methodological concept only, and the issue of what basis should be adopted for calculation is a separate issue which is considered in chapters 9 and 10.

			less capital will be available for investments which will have a negative impact on employment. Lower pension benefits will hurt the purchasing power of retirees and thus the consumption in Europe. This outcome would have a negative impact on employment in the European Union. The proposed revision is not in line with Europe 2020 Strategy. In addition, TCO is concerned that the EU debt crisis has already reduced FDI in European companies	
106.	Tesco PLC	12.	3. What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction between Article 17(1) IORPS, 17(3) IORPs and sponsor-backed IORPS should be retained or removed? 4. We disagree that Solvency II, or any other single system should be applied across all member states. As intended under the subsidiarity rule – funding related to IORPS should be developed to suit individual member states and to reflect the diversity of retirement income structures across the EU. On that basis we don’t support the holistic balance sheet. We understand that over 60% of the EU’s IORP liabilities are in the UK where there is a robust system of Regulation, where member security is high priority and funding is on a scheme specific prudent basis that allows for sponsor covenant and Pension protection fund already. This system has been sufficiently robust to get schemes and their sponsors through the last 3 years of recessionary environment – therefore we don’t perceive a need to change the current IORP.	Noted

			5. Having made our fundamental position clear, then looking at the specific structure of the balance sheet as a funding model for IORPS our views are: 6. – We support having an allowance for sponsor covenant and pension protection in principle. We are concerned that this call for advice does not outline how a financial value could be placed on these two items – as it isn't possible to give full comment on whether they are appropriate or workable without that detail. - We are opposed to leaving this detail to level 2 regulation given its fundamental importance to the operation of the holistic balance sheet and call for it to form part of the Directive itself. It is also vitally important that it be included in Impact Assessments. - the move to value technical provisions on a risk free rate will increase liabilities substantially, taking capital away from investment in businesses – reducing taxes and job creation - and risking the closure of scheme to future benefits. Further, the reduction in investment would reduce the covenant strength of the sponsoring employer thereby requiring even more capital to be put aside - requiring specific risk margins discourages investment in equities and would result in a shift to invest in risk-free bonds. Taking such a significant share of the current market for equities in the EU and incentivising them to sell to move to different types of asset would depress share prices and slow down any growth in the economy To do this in the current economic environment would make conditions harder to recover.	

			While putting aside more capital would certainly make pension earned in the past more secure – it does not give any security to today's and tomorrow's employees who are no longer able to earn this type of retirement benefit if it's too expensive to provide. Instead the likelihood is that they would be offered a defined contribution arrangement which potentially offers them less certainty on the adequacy of the benefit they could receive in retirement. In addition, if additional funds are needed to meet the funding for the past service benefits then less money will be available for future benefits – further affecting their adequacy.	
107.	THE ASSOCIATION OF CORPORATE TREASURERS	12.	What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs should be retained or removed? Art 17(1) IORPs do not benefit from sponsor guarantees are are therefore akin to insurance based arrangements. Sponsor backed schemes are substantially different. They ultimately rely on a claim on the the future production of the sponsor and only partially on the pool of financial assets set aside. An insurance based scheme or an IORP without sponsor support relies soley on a pool of finacial assets. We therefore support option 1 to maintain the distinction between these forms of IORPs. In para 8.2.8 you explain that the Commission is seeking to ensure that the level of security offered by all IORPs is similar even though some have sponsor support whilst others do not. We do not accept the neccessity to make these two equivalent. However if this point is not open for discussion then trying to create a holistic balance sheet to recognise the value of the sponsor support would be a possible approach. The difficulty then becomes one of valuing the sponsor support and the danger that definitive present funding requirements may be set	Noted

			based on an inaccurate valuation of that future support.	
108.	The Association of Pension Foundations (Finland)	12.	We don't think that holistic balance sheet would be suitable to be used for supervision purposes. We favour using the current IORP Directive which allows choice and diversity between member states. Holistic balance sheet is unnecessary complex model for small, sponsor quaranteed Pension fund, which do not operate offerering pensions at large puplic and IORP's are not organized to make profit. Holistic Balance sheet model would lead considerably higher labor costs, probably lower pension benefits and de-risking of investments. Holistic Balance model would favor big insurance companies as they have large resources to carry out needed calculations and decrease amount of Pension Funds as sponsors would feel required administration too burdensome. We favour keeping distiction with sponsor backed pension schemes and IORP's without sponsor quarantees.	Noted. EIOPA recognises quantitative impact and cost/benefit analysis are important for a final decision.
109.	The Association of the Luxembourg Fund Industry (A	12.	See Q 10	
110.	The Hundred Group of Finance Directors (UK)	12.	We are opposed to the concept of the holistic balance sheet, because it starts from a position that Solvency II is the right framework for IORPs, and then attempts to force IORPs into that framework. It is simply the wrong starting point. It is not clear that many of the security elements identified can easily be	Noted

			valued in monetary terms – or that, even if a number can be arrived at for the value of the sponsor covenant or pension protection scheme, that number actually encapsulate the role being played by that security mechanism. We therefore regard the holistic balance sheet as misconceived. We believe that the distinction between sponsor-backed and non-sponsor-backed IORPs should be retained.	
111.	THE SOCIETY OF PENSION CONSULTANTS	12.	Whilst we appreciate the Holistic Balance Sheet has some appeal, we consider that it has some significant flaws – not least of which is the term 'Balance Sheet', which clearly has accounting connotations. Expanding on this view, the headings 'Assets' and 'Liabilities' are also potentially misleading (although we note that the figure at 8.3.55 has 'Equity+' as a heading instead of 'Liabilities' and we are unclear as to why this is). That said, we welcome a simple pictorial representation, which helps to show the various risk mitigating measures, which can be employed within differing national pension systems. (This might well be an appropriate template for use in communication between employers, pension funds and members/participants, so as to ensure clearer understanding.) The problem lies in trying to place a capital value on some of those measures. For example, where a Member State's pensions system permits an IORP to reduce benefits in cases of extreme stress, how can one value this when one does not know when that reduction might be triggered and the level to which the reduction can be made? In extremis, it would seem feasible to reduce a benefit to zero – thus negating whatever else was shown on the other side of the	Noted

			balance sheet. Similarly, valuing an employer covenant might technically be possible but there is unlikely to be consensus on how this can be done equitably and consistently across different entities in different Member States without being hugely costly. What seems a more likely outcome would be that some 'formulaic' approach would be taken, which would give rise to a figure. That figure, however, is likely to be little more than 'window dressing' and of no material benefit to the membership of the pension arrangement sponsored by that employer. It will not represent 'cash' and nor should it. Even were it to represent 'cash', recent financial events have shown us that 'cash' is not always guaranteed (even ignoring the effects of inflation); even less so is the debt of sovereign Member States. Where the attraction of the Holistic Balance Sheet (or something like it) lies, is in helping to explain to participants to what degree their pension benefits are 'secure'. (Against the backdrop of the possible insolvency of Member States, the notion of secure must also be seen as a relative rather than absolute security.) As drawn, the Holistic Balance Sheet appears to be an attempt to reinforce the apparent belief of the Commission technocrats that insurers and pension funds are similar 'institutions'. If one starts from this premise, the 'liabilities' side of the equation should look like that for Solvency II – with three components, the best estimate of future cash flows, a risk margin (however assessed) and a Solvency Capital Requirement. Once this false premise is embedded, it becomes necessary to try to think what could be on the 'balancing' side.	

			We appreciate that EIOPA's terms of reference were not to consider whether Solvency II is appropriate as a cornerstone of the risk-based supervision of pension funds, but how to adapt it so that it is. To be clear, therefore, we intend no criticism of EIOPA. What we intend, however, is that the legislators – the Commission, the members of the European Parliament and the Council of Ministers – step back and consider what it really is that is needed here. Certainly the principle of 'risk-based supervision' seems desirable. Certainly the transparency of the security of the pension promise – to members/participants – seems desirable. What is not desirable is the single-minded drive to achieve a veneer of cast-iron security, which cannot possibly be achieved and which will cost (as Solvency II has) many €millions to introduce. In summary, in the context of the consultation, we appreciate EIOPA's attempt to shoehorn the varying national pensions systems into an apparently consistent framework. However, we think that the starting premise is flawed and the message must be given to the Commission, the European Parliament and the Council of Ministers that the pillar 1 provisions of the Solvency II Directive should not and cannot be applied to the heterogeneous pension systems across the EU.	
112.	The Trustees of the RNLI 1983 Contributory Pension	12.	What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction	Noted

			between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs should be retained or removed? Under the holistic balance sheet proposal we strongly agree that account should be taken of the strength of the employer's covenant if this proposal goes ahead. We are concerned at the possible difficulty for trustees in assessing an appropriate value to put on the strength of the employer's covenant and that this could lead to delays in the valuation process and inconsistency between schemes where different trustees take different approaches. Additional costs on sponsoring employers of IORPS (and in the UK such costs will fall to sponsoring employers either directly or through the funding requirements) should be avoided as pension benefits are already expensive to provide.	
113.	Towers Watson Deutschland GmbH	12.	We believe that the distinction between Article 17 (1), 17 (3) and sponsor-backed IORPs should be retained. The reason for our opinion is linked very closely to the notion of the holistic balance sheet. We consider that the holistic balance sheet has conceptual appeal. However, we strongly reject the notion of applying the principles of Solvency II risk-based capital requirements determined on a market-consistent basis to IORPs. We caution that if implementation is a failure, the negative consequences for IORPs will be grave for both a very large number of citizens in the EEA and the financial markets. We would expect that implementation of the concept can take	Noted

			place in one of (at least) two fundamentally different ways: The first approach: The holistic balance sheet is applied in a manner that is rather qualitative than quantitative. This would increase the transparency of an IORP's financing to the various stakeholders. In this way we believe that risk-based regulation can be achieved without implementing risk-based capital-adequacy requirements that are determined on a market-consistent basis. We strongly recommend that this approach be taken. The second approach: The holistic balance sheet approach is applied strictly quantitatively as a basis for determining risk-based capital requirements. If this approach is chosen, it should take the following into account: 1. The key quantitative parameters of the Solvency II model should not be copied unchanged to IORPs but take appropriate account of the differences between IORPs and insurers mentioned below. In particular, the enhanced security provided by the employer covenant and by insolvency protection institutions should be taken into account in the same way as financial assets. Furthermore, the "softness" of an IORP's obligation must be taken into account when assessing the discount rate for discounting obligations. 2. A sufficiently balanced, clear and simple guidance for determining the different components of the holistic balance sheet must be ensured. For example, sponsor-backed IORPs should be allowed to include the sponsor covenant as a (contingent) financial asset which can be applied to cover all	

			liability positions/capital requirements on the balance sheet. 3. A very significant simplification and easing must be permitted in accordance with the principle of proportionality. For instance, smaller funds should be permitted to prepare their balance sheets in simplified form (or excluded altogether) and only in intervals of several years. 4. The transition period for implementation must be suitably long to allow time for adjustment. Our reasons for our opinions are as follows: Starting point We point out that in respect of the upheavals in the financial markets since 2007, IORPs have not been the source or the transmitters of systemic risk but rather the victims of systemic risk. Although we agree in principle that it is appropriate to review the Directive, the importance of IORPs for both the citizens of the EEA and the financial market should make it obvious that the preparatory work leading to any amendments to it must be circumspect (i.e. holistic) in nature. In para 31 of its report on the Green Paper proposals (of July 2010) the European Parliament agreed with the Commission that "A high degree of security for future pensioners, at a reasonable cost for the sponsoring undertakings and in the context of sustainable pension systems, should be the goal." [our emphasis]. The report goes on to state that proposals for a	

			solvency regime for pensions must recognise that "risks in the insurance sector are different from those faced by IORPs". The European Parliament clearly concludes that the often expressed goal of "same risk, same capital" is misleading. Do IORPs differ from insurers ? We challenge the central assumption taken by both the Commission and EIOPA in the development of the Pensions Directive, namely that insurers and IORPs are so similar, that the same principles can be used as a starting point for regulation. We do not think that this assumption is appropriate and explain our reasons below. It can be argued that the main justification for regulation lies in the necessity to protect interests of policy holders in order to reduce or eliminate asymmetries of information / potential conflicts of interest between the insurer and policy holders (principal-agent problem). The different business models between IORPs and insurers are also reflected in the different ownership structures, legal frameworks, diversity and risk profiles, which we discuss below and which point to a significantly reduced need for regulation of IORPs. 1. The business model: The vast majority of insurers (and effectively all of the major players) is profit-oriented and operate in a competitive market. Neither applies to IORPs, whether company-own or restricted to a profession or a pre-specified set of beneficiaries (e.g. members of a profession) alone. IORPs in this sense do not include those that compete directly with insurers in the pensions market.	

			2. Ownership structure: The vast majority of insurers (and effectively all of the major players) is oriented towards the capital markets, i.e. the shares in the entity are effectively held-for-sale by its owners. In contrast, an IORP that is not in open-market competition is held by a single owner (or its beneficiaries if a mutual structure) and is essentially held-to-maturity, since the entity as such is not publicly traded. It follows that, for measurement, supervision and capital-adequacy purposes, a mark-to-market or fair value approach is appropriate for insurers. In contrast, elements of a fulfilment value or held-to-maturity approach can be taken into account to a greater extent for IORPs. A corollary of this aspect is the entity's access to capital: Insurers generally have direct access to capital markets to raise capital in equity of debt form while IORPS generally do not have access to capital markets for capital: they are restricted to the sponsor or their beneficiaries for capital. 3. Legal framework: This aspect is dealt with partly in section 2.6.5 of the draft response. We believe, however, that not all repercussions have been considered. Insurance contracts are contracted in a free and open market (i.e. the consumer has a choice) and are therefore subject to contract/civil law because beneficiaries are contract holders. In contrast, in most countries, pension promises are subject to labour law, which can differ significantly from contract law; the consumer is thus generally not operating in a free and open market. In Germany, for example, the underlying contract is generally agreed upon (and amended) by collective bargaining agreements. The individual employee does not give his consent	

			nor can he disagree, even if his rights are reduced. Another characteristic of the German pensions environment is that, even in defined contribution-like vehicles, the investment vehicle for employee contributions is typically determined exclusively by the employer. The corporate pension promise can be “softer” and more malleable in the context of an IORP (for example, in Germany, pension agreements can be and are changed by agreements with employee representatives, not every employee individually - often with legal effect for accrued benefits too). Actuarial valuation principles of liabilities and security requirements for IORPs must thus reflect the prevailing labour and social law and take account of this flexibly over time since labour and social law are not static. In short, insurers generally grant “hard” individual guarantees while IORPs grant “softer” guarantees, often on a collective basis. In some member states (e.g. Germany, The Netherlands), most IORPs do not necessarily guarantee benefits at all, since the fund has the right to reduce the benefits in accordance with the assets available – i.e. “soft” benefit ambitions rather than “hard” guarantees. This framework is clearly more flexible than that typically applying to life insurers. This flexibility is often justified, to varying degrees, by the existence of an employer covenant. In	

			Germany, for example, in the vast majority of situations the law requires an employer to underwrite any shortfall not met by the fund. In some jurisdictions there is a further safeguard: should the employer too be unable to fulfil the pension promise given, the promise can be protected by an insolvency protection institution for occupational pensions. Within the context of the holistic balance sheet we understand that EIOPA and the Commission interpret the value of the employer covenant and the insolvency protection as not being assets that can be directly held against the technical provisions but rather only against the SCR and the Risk Buffer. We believe strongly that this approach is unjustifiable and unnecessarily restrictive when viewed in the context of an IORP's characteristics. 4. Diversity: This aspect is partly dealt with in 2.6.7. However, we believe that here too, not all repercussions have been considered. There are about 5,000 insurers and about 140,000 IORPs in Europe. As EIOPA quite correctly states, the aspect of relative cost of satisfying any regulatory requirements is thus of much greater significance for IORPs. However, EIOPA does not mention that the types of products offered by IORPs (i.e. pension promises) are far more diverse in nature than insurance products. The combination of this numbers / diversity issue must have a significant repercussion on regulation, since otherwise, diversity will be stifled deliberately. The result will very likely be that all risk will be shifted onto beneficiaries, thereby reducing	

			the level of benefits. We believe that this aspect falls firmly into the area of social policy and should not be brushed aside by the Commission as “not our responsibility”. 5. Risk profiles: Typically, insurance contracts exclude a large number of specific risks (e.g. unhealthy lives), whereas IORPs are more inclusive (because normally all employees are to be covered). These five key differences between insurers and IORPs show that substantially different regulatory and supervisory regimes are necessary for IORPs. Robust, quantified impact assessments As has long since been called for, and acknowledged by EIOPA in the consultation document, full and detailed impact assessments - both qualitative and quantitative - are essential. It is also vital that the macro-economic effect on markets, employing entities, growth and jobs in the EU is assessed, in addition to a specific analysis of the benefits to members and the associated costs of implementing and operating the new Directive. A closing thought If the Commission argues that 3rd pillar regulation (i. e. that of insurers) should also be imposed in principle on the 2nd pillar (i.e. that of IORPs) it should consider carefully whether it is thereby destabilising structures that have existed for decades or even centuries by reducing diversity and therefore increasing the likelihood of systemic risk. We believe that the three pillars of pension provision are a well established blend of distinctly	

			different approaches that make the combined, diversified system of retirement provision more resilient (and holistic!) than narrowing down the alternatives to two or even one approach. To develop this point to its logical conclusion, the Commission should answer the question why extending 3rd pillar regulation to the 1st pillar (i.e. that of social security) is not being proposed simultaneously. Why are the reasons for not extending to the 1st pillar "highly political" and the reasons for extending it to the 2nd pillar not so?	
114.	Trades Union Congress (TUC)	12.	Quantitative requirements What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs should be retained or removed? The TUC does not support the holistic balance sheet proposal. A common framework for all European Union countries with their wide range of pension systems is not workable or necessary. And adopting an untested approach would be very unwise. The UK already has a tested scheme funding system in place under the regulation of the Pensions Regulator known as 'scheme specific funding requirements'. This is sufficiently flexible to take into account each scheme's specific situation while still highlighting the importance of protecting members' benefits.	Noted

			We are very concerned that any change to the regulatory framework, including the switch to a risk free discount rate to value liabilities in line with Solvency II. This would significantly increase technical provisions in some Member States, including the UK, thereby resulting in pressure on schemes and ultimately, a significant number of scheme closures. Therefore members could have lower accrual rates, no indexation or no pension provision at all. This in turn will have a wider adverse economic impact, as referred to above. Given these concerns, we believe that the rules for setting technical provisions should continue to be set at the Member State level.	
115.	Transport for London / TfL Pension Fund	12.	We would not support the proposal for a holistic balance sheet as with a wide diversity of pension arrangements across the EU, it would be impossible to find a single regulatory arrangement that would work satisfactorily. The current high level framework of the current IORP Directive works well in our view, as it allows individual states to develop regimes best suited to their own pension structures. In particular, in the UK we already have a very strong regime through the Pensions Regulator for protecting members' benefits together with a safety net provided by the Pension Protection Fund where sponsoring companies fail. If a holistic balance sheet were introduced, we would support in principle the inclusion of the sponsor covenant as an asset. However the methodology for valuing the employer covenant should feature in the framework Directive and not be left for subsequent implementation measures.	Noted

116.	UK Association of Pension Lawyers	12.	Chapter 8 Quantitative requirements: What is the view of stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs should be retained or removed? General comments on approach underlying the holistic balance sheet proposal and on the goal of harmonisation As we interpret it, the holistic balance sheet is viewed primarily as a means of achieving a much deeper degree of harmonisation than is currently the case in the sphere of IORPs. Under this logic, the proposal would reconcile the great differences in the nature of IORPs across the Member States within a single framework by enabling the imposition of a Solvency II framework for IORPs, and the accommodation of IORPs within such a framework despite the fundamental differences between (the generality of) IORPs and insurance companies. In this respect we note EIOPA's desire (as stated at paragraph 8.1.4) to satisfy the objectives set by the Commission, in particular the achievement of a much larger degree of harmonisation than is currently the case in the sphere of IORPs (whereby EU legislation would not need additional requirements at the national level) and a similar or uniform level of security across Member States. In our view, the objective of harmonising the regulatory framework for IORPs across Member States to this extent is misconceived. The current IORP Directive already provides for a degree of harmonisation to the extent necessary to allow for the achievement of certain key goals (e.g. facilitating the common market in financial services through the removal of restrictions on the manner in which IORPs' assets could be invested, or attaining a minimum degree of security for the benefits of the	Noted

			members and beneficiaries of IORPs through a mandatory requirement that the employer sponsors of defined benefit IORPs other than regulatory own funds IORPs provide funding under a recovery plan to remedy any deficit disclosed by mandatory regular valuations). We have seen no evidence in support of any case that a much greater degree of harmonisation is justified, or in support of any argument that the existing approach to regulation of IORPs across Europe is flawed. Indeed, there seems to be an underlying assumption that harmonisation in the sphere of IORPs is desirable for its own sake, and to such an extent that little if any justification is offered as to whether this is a necessary or desirable objective. In each Member State, second pillar occupational pension provision has been characterised by very different legal structures and, often, features of benefit design, reflecting long-standing historical and cultural differences that influence employment practices. As the March 2008 Survey on fully funded, technical provisions and security mechanisms in the European occupational pensions sector prepared by the Committee of European Insurance and Occupational Pensions Supervisors made clear, these differences have in turn driven very distinct approaches to funding and security arrangements. To pursue the objective of harmonisation across Member States in relation to IORPs' funding and security arrangements (as well as closely linked areas such as governance and regulatory supervision) would entail a disregard of the deeply-rooted nature of the differences in approach and, given the inherent complexity in the IORP system used in each Member State (complexities which are necessarily difficult to convey at the European Union level of policy formation), the pursuit of more thoroughgoing harmonisation would be dangerous and run the	

			risk of unintended consequences. Furthermore, harmonisation would also require major revisions to the European regulatory structure for IORPs and hence in the legislative regimes of Member States and the compliance burden borne by IORPs and their sponsors, which in turn would entail significant costs that would to a considerable extent discourage second pillar pension provision (see our general comments at the beginning of this document). In this sense, the pursuit of the objective of harmonisation would directly conflict with the goal of improving second pillar pension provision. The desirability of the deeper harmonisation of regulatory requirements governing IORPs between Member States is not such that it should necessarily outweigh other important considerations, and the imposition of deeper harmonisation should be pursued at the cost of substantial negative effects in other areas. Specific comments on the the holistic balance sheet proposal We have a number of concerns with the holistic balance sheet proposal as currently outlined. ☐ As an approach to IORP funding and benefit security it would be highly complex and difficult to implement. Its complexity is apparently the result of seeking to integrate the regulation of IORPs with the framework provided for insurers by the Solvency II Directive, and in this sense exemplifies the fact that the regulatory regime for insurers is not appropriate for IORPs, which are very different entities operating in very different contexts. ☐ In particular, we do not agree that it would be appropriate to impose on IORPs the Solvency II regime for the	

			calculation of risk based capital requirements (see our general comments set out at the beginning of this document on why it is not appropriate to treat IORPs and insurers as carrying out similar functions and as potentially subject to similar regulatory regimes). ☐ The proposal to treat the sponsor covenant as a "contingent asset" of the IORP is artificial and potentially entails major negative consequences. We see it as positive that EIOPA is willing to recognise and place value on the sponsor covenant – a factor which is a fundamental distinguishing feature between IORPs (other than regulatory own funds) and insurers. However, to count the sponsor covenant as an "asset" of the IORP is conceptually difficult. UK defined benefit occupational pension schemes have extensive experience in assessing the sponsor covenant for funding, investment and risk management purposes and this experience demonstrates that it would very difficult to design a consistent approach to assessing and placing value on the sponsor covenant which could be counted on the IORP balance sheet. Covenant assessment for the purposes of determining funding requirements for a defined benefit pension scheme if often only meaningful in the context of the very specific circumstances of that scheme, with different value often being placed on different aspects of the covenant and the sponsor's business depending on the needs of the scheme. It also raises the question of whether disposals of assets by sponsors are to be restricted if such assets are treated as being on the IORP balance sheet. In our view, the ability of the IORP to have recourse to the sponsor is a key reason why it is unnecessary to impose the Solvency II regime (or a regime that is consistent with it) on IORPs. However, we welcome the willingness of EIOPA to recognise and take account of the significance of the sponsor covenant and	

			pension protection schemes. Our view is that it is unnecessary to change the existing IORP Directive in relation to funding and security precisely because it enables Member States to take due account of these factors. If EIOPA is nonetheless minded to advise that the IORP Directive be changed in relation to funding and security, we would urge that the approach adopted allow for these matters to be taken into account in a more workable manner.	
117.	UNI Europa	12.	UNI Europa believes that any decision on this matter has a political component, since it might affect the structure and nature of occupational pension schemes in Member States.	Noted
118.	Universities Superannuation Scheme (USS),	12.	QUANTITATIVE REQUIREMENTS What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs should be retained or removed? USS does not agree with the need to impose additional solvency requirements on IORPs as the UK already has a robust system of pension scheme funding that provides strong protection for members' benefits. The UK's 'scheme specific funding regime', thoroughly reviewed and overhauled in 2005, is now tried and tested. It helped IORPs to survive the recent financial crisis – effectively a major stress test of regulatory systems. And it is flexible enough to recognise the circumstances of individual schemes while still ensuring that members' benefits are safeguarded.	Noted

			USS sees no need to replace this framework with a new, untested system that would introduce unknown risks and uncertainties. Even if the holistic balance sheet were acceptable as a principle, which it is not in our view, it is impossible to express any clear view as EIOPA's draft response provides no detail as to how 'assets' of the IORP are taken to include the value of the sponsor covenant and of any protection schemes. A report has been commissioned on behalf of the NAPF and USS by Europe Economics, a copy of which is attached. This report highlights the severely adverse economic implications of the suggested additional capital requirements and some of these implications are briefly outlined below. Destabilising impact on scheme funding levels Although the consultation paper gives little detail on how important components of the holistic balance sheet would be valued (eg, the sponsor covenant and pension protection guarantees), it seems almost certain that the new approach would dramatically raise funding requirements in a manner that would undermine pension provision, rather than strengthen it. The NAPF has produced research across a sample of their member pension schemes (summarised in the graphic below) indicating that the likely switch to the use of a risk-free discount rate to value the 'best estimate of liabilities' would increase	

			technical provisions by an average of around 27%. This equates to an increase in technical provisions across all UK DB schemes of €337 bn. Additional components, such as the 'risk buffer' and 'solvency capital requirement' would drive these figures even higher. Preliminary analysis of the impact on USS shows that there would be a very substantial increase in the technical provisions of the scheme, multiplying the level of our current funding deficit. In general, an increase in scheme funding requirements on this scale would have damaging consequences. ☐ Weaker sponsor covenant. the sponsoring employer would be placed in a weaker position, needing to find extra money to fund bigger contributions or recovery contributions into the pension fund. This would increase the company's insolvency risk, thereby undermining the covenant. This would be a bad outcome for the scheme's members. ☐ More scheme closures and more risks for members. The extra expense of running the company pension scheme would inevitably force more employers to reduce or cease providing pension benefits to their employees, resulting in less generous benefits for scheme members. We would see a further shift from defined benefit to defined contribution pensions, creating a system in which members have a greater exposure to risks. So a Solvency II-style regime might actually undermine pensions	

			security, as well as reducing adequacy – contrary to the Commission's objectives as set out in the July 2010 Green Paper Towards Adequate, Sustainable and Safe European Pensions Systems. EIOPA's proposals would also increase the complexity involved in assessing Technical Privisions, thereby increasing IORPs' actuarial costs. Contractionary impact on EU economy There would be a number of negative impacts on the economy that would make it more difficult for the EC to achieve the targets for job creation and investment set in the 'Europe 2020 growth strategy'. ☐ Less corporate investment. If sponsor companies have to find more money for pension contributions, then they will have less available for investment and job creation. ☐ Lower company share prices / increased insolvency ratings. The prospect of increased pension burdens on sponsoring companies would drive down their share prices and drive up their insolvency ratings. ☐ Less investment in equities. IORPs like to match their assets to their liabilities. The use of risk-free discount rates for calaculation of liabilities would incentivise IORPs to shift (even more than at present) away from investment in risk-seeking	

			asset classes such as equities and into risk-free or low-risk assets such as government or corporate bonds. This would – again – mean less money available for equity investment in the EU economy. This effect would undermmine the effectiveness of the current rounds of Quantitative Easing. ☐ Lower tax take. Impaired corporate performance would mean a lower tax take for the Government. There is also a risk that lower employment levels would drive welfare spendiing higher than expected. ☐ Gilt yields reduced. Although increased demand would push gilt prices up, yields would be reduced, undermining an important income stream for IORPs. Although the holistic balance sheet would give some credit for the sponsor covenant and pension protection guarantees, the consultation paper provides no detail on how these components would be valued. In the absence of this detail, USS is unable to rely with any confidence on these components mitigating the very damaging effects of the components that would dramatically raise scheme funding requirements, such as the 'best estimate of liabilities' and the 'risk buffer'.	
119.	vbw – Vereinigung der Bayerischen Wirtschaft e. V.	12.	What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction between Article 17 (1) IORPs, 17 (3) IORPs and sponsor backed IORPs should be retained or removed?	Noted

			We strongly recommend to maintain the clear distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs (policy option 1). As a consequence we reject the undifferentiated usage of the holistic balance sheet as a catch-all approach because it doesn't fit the diversity of European IORPs: In our opinion, the holistic balance sheet approach doesn't meet the characteristics of sponsor-backed IORPs and to some extent Article 17 (3) IORPs. A reasonable holistic balance sheet model implies that the value of the employer covenant (backed by the pension protection scheme) will have to be determined by the gap it is supposed to fill. This will be the gap between the financial assets on the one hand and technical provisions. IORPs should only be bound to hold additional assets above the technical provisions to the extent they are not sponsor-backed.	
120.	Verband der Firmenpensionskassen (VFPK) e.V.	12.	The present market situation where interest rates are kept artificially low by monetary policy and artificially created liquidity (quantitative easing) clearly shows that all methods using mark to market methods must be critically scrutinized. Life insurers have noticed the same fact and are presently no more operating with market data but have adapted their models of valuating liabilities by using synthecial interest rate curves (illiquidity premium, countercyclical premium, ultimate forward rate…). But surely those adjustments cannot be transferred to the special circumstances of IORPs. The basic aspects of the holistic balance sheet approach are conform with the Solvency II model: mainly mark-to-market resp. mark-to-model valuation of assets and liabilities, 1 year forecast period, 99.5% security level. These basics will have the following direct impacts on existing IORPs:	Noted

			☐ Extremly high capital requirements due to the duration gap between capital investments and liabilities ☐ Extremly high capital requirements at times of low interest rates ☐ Extremly high dependence of capital requirements upon market parameters at the measurement date ☐ Extremly high volatility of capital requirements at present market conditions due to ongoing changes in market interest rates The holistic balance sheet approach still draws on Solvency II as "suitable starting point" and only varies the Solvency II approach in such a way that employer covenants and coverage by protection schemes are valued as additional "assets" The huge gap in equity resulting from the Solvency II model – as described above – moves thereof from the IORPs into the books of the employers or protection schemes. Therefore the holistic balance sheet approach has to be rejected.	
121.	Verbond van Verzekeraars	12.	We support the concept of a holistic balance sheet. As stated by the European Commission: "from a solvency perspective that focuses on the security of the pension promise made to the members and beneficiaries, all elements (security mechanisms, such as sponsor support and pensions protection schemes, and benefit adjustment mechanisms) that have an	Noted

			impact on securing those promises and which may have been taken into consideration implicitly so far should be considered when assessing the solvency situation of the IORP." The holistic balance sheet, which starts from the economic balance sheet, will present all available mechanisms surrounding the IORP. By explicitly assessing the value of all the mechanisms, the IORP must consider the likelihood of cash flows when needed and any other problems which could arise. This would provide to the IORP, the beneficiaries, sponsors and supervisors insight about how the actual situation surrounding the IORP is interpreted and managed by the IORP. In addition, we are of the opinion that the holistic balance sheet should be made public.	
122.	VHP2 (Vakorganisatie voor middelbaar en hoger pers	12.	The idea of a holistic balance sheet seems to offer theoretical possibilities for harmonisation, but the complexities involved make this an instrument that is unsuitable as a primary supervision tool. The concept should be developed further, where both an impact assessment by the Commission and a quantitative impact study by EIOPA are essential, before any decision can be made whether the holistic balance sheet can and should be used as a supervisory tool. The VHP2 is willing to support both the EC and EIOPA in making these assessments if and when needed. Consideration may be given to using the method as an internal model that can possibly lead to lower solvency buffers if properly used. This use will account for the proportionality issues for smaller IORPs that are involved in using a complex tool. The distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs can be retained. However, we do note that this distinction is not complete and does not cover all forms	Noted

			of IORPs. A category should be added in which the members themselves bear (part of) the risk, as opposed to the IORP as an institution.	
123.	Whitbread Group PLC	12.	The holistic balance sheet adds an unnessary level of complexity and burden to pension schemes. In itself it is simply a different way of setting out information already required to be analysed in some detail by UK pension scheme trustees (eg the strength of a company's covenant). It would be impossible and completely inappropriate to seek to "quantify" these items in the context of such a balance sheet, indeed we are concerned that doing so would be spurious and lead to a false sense of comfort. Pension scheme funding regulations should be principles based to enable trustees to concentrate on the issues that really matter. We can see no added value from producing a holistic balance sheet, just cost and risk.	Noted
124.	Zusatzversorgungskasse des Baugewerbes AG	12.	13. We strongly reject Solvency II like quantitative capital requirements for IORPs. 14. However, if the commission would not refrain from imposing capital requirements on all types of IORPs, we would like to understand the full consequence of the holistic approach as the possibility to completely replace quantitative capital requirements by qualitative elements or risk-mitigation techniques. 15. As industry-wide multiemployer pension fund where all employers ensure the pension promises of the whole construction industry we reject the idea of valuing each individual sponsor guarantee, pension protection systems or possibilities to make benefits conditional in an explicit quantitative way (monetary terms). In the end all these complicated and unforeseeable artificial calculations are highly costly and end in speculation without real value.	Noted

			16. We invite EIOPA to consider a qualitative approach rather than a quantitative balance sheet concept. We would therefore prefer the concept of 'holistic approach' instead of 'holistic balance sheet'. 17. We invite EIOPA to make the impact assessment of the holistic approach and consider the different forms of IORPs like industry-wide multiemployer pension funds based on collective agreements without individual pension accounts while doing so.	
125.	European Private Equity & Venture Capital Associat	12.	EVCA rejects the proposal of a holistic balance sheet when it is used for supervision. The idea of a holistic balance sheet seems to offer theoretical possibilities for taking into account the risk mitigating instruments that an IORP has, but the complexities involved make this an instrument that is unsuitable as a primary supervision tool. Besides that, it is important to realise that workplace pensions are based on social and cultural traditions and strongly linked to first pillar pension provisions in the different Member States. EVCA's key message regarding the application of the Solvency II regime to IORPs EVCA's key concern is that the potential application of the Solvency II regime to IORPS (whether under option 1 for Article 17(1) IORPS or under the option 2 holistic balance sheet approach for IORPs generally) would be inappropriate and disproportionate. It could affect pension funds' investment strategies resulting in a number of negative consequences for pension funds and their members and the wider economy. In particular, EVCA urges EIOPA to ensure that any calculation of private equity and venture capital market risk is appropriate.	Noted

			Potential application of Solvency II regime to IORPs In the context of CfA 6 (on a similar approach for all types of IORPs), EIOPA proposes two alternative options: "Option 1: Maintain the existing distinction between Article 17(1), Article 17(3) and sponsor backed IORPs in the review of the IORP Directive Option 2: Review the IORP Directive in a way that is flexible enough to allow for all kinds of IORPs through the holistic balance sheet approach" EVCA notes that EIOPA considers (at paragraph 8.2.36. a.) that option 1 could potentially include "the option of applying a Solvency II regime to Article 17(1) IORPS". EVCA also notes that EIOPA considers (at paragraphs 8.3.27 to 8.3.31) that Component 4 (Capital requirements) of the holistic balance sheet "would bring the main element of Solvency II, which is designed to reflect the full magnitude of adverse outcomes, into the IORP Directive". Consequences of application of Solvency II capital requirements regime to IORPs	

			EVCA considers that the application of the Solvency II capital requirements regime to pension funds within the scope of IORPs could have wide and damaging consequences to stakeholders for a number of important reasons. ☐ EVCA considers that the Solvency II capital requirements regime, if applied to pension funds, would be likely to force pension trustees to alter investment strategy away from long-term growth assets to short-term, lower-returning assets. This would have two highly undesirable effects: firstly, it would diminish pension funds' ability to be appropriately funded to meet pension liabilities as they fall due; secondly, it would significantly reduce the supply of investment to SMEs with the resulting negative impact on employment and growth. Pension funds may be forced to stop investing in long-term asset classes, including private equity and venture capital funds, altogether and might even be forced to divest their existing portfolio at short notice considerably harming their future returns. ☐ This in turn would reduce long-term investment in the European economy, such as research and development, plant and machinery and infrastructure. In a low interest environment it will also compound the challenge that pension fund managers face to invest in assets that will enable them to meet their liabilities under fixed return and defined benefit schemes☐. ☐ In addition to creating a perverse incentive for pension funds to attempt to meet long-term liabilities with short-term	

			investments, it would increase risk from an investment strategy perspective: pension funds' risk exposure would increase as they are forced to adopt less well-diversified investment strategies. ☐ A partial retreat of institutional investors from long-term or illiquid markets would also be felt by the economy at large: there would be a structural shortage of investible capital for long-term or illiquid projects☐. And this would be at a time when sovereign states are struggling to provide capital for these activities. ☐ The problem occurs because under Solvency II solvency capital requirements ("SCR") are calibrated to correspond to the value at risk over a 12 month period (discussed below). As a consequence, much of the focus is on the liquidity of investments rather than the capital at risk. For example, a short dated BBB rated bond requires less capital than a longer term AAA rated bond under Solvency II. ☐ Another flaw in the Solvency II approach with regards to investment in private equity and venture capital funds is that it assumes investment in a single private equity fund. Investment activity of pension funds is always based on investing in a portfolio of funds diversified by investment stages, geographies and vintage years. This leads to a considerably lower risk profile of the portfolio as a whole compared to that of each single fund. ☐ Applying capital adequacy-based regulation would be likely to cause systemic risk to increase, not decrease. This is	

			because the stabilising role of long-term investors in global financial markets would be undermined☐. Pension funds covered by the IORP Directive manage assets of €2,500bn. To comply with Solvency II they would be required to hold extra assets worth €1,000bn. The Bank of International Settlements ("BIS") envisages a sale of equity instruments given their new capital weight (39% for global equities/49% for other equities such as private equity). This could trigger a reduction of about 5% of total assets invested in European shares. This translates into a €750bn loss to European stock markets☐. ☐ Exaggerated risk-weightings for private equity investments may force pension funds to sell considerable parts of their private equity portfolios resulting value devastation for the pension funds and their members: Similar reactions were observed in the banking landscape over the last two years. Since stricter regulation forced banks to sell their private equity portfolios, they destroyed enormous values for their shareholders. Market experts estimate that the volume of portfolio sales from banks have reached around EUR 20bn over the last years. Assuming a market discount of 15% to 20% would result in a value erosion of €3bn to €4bn. Copying this into pension schemes would bring an enormous loss risk potential for future pensioners while additionally the upside potential would be given away. ☐ Additional solvency rules would also raise the cost of retirement provision to both employers and employees. o This would be highly likely to exacerbate the current	

			movement to fewer defined benefit schemes being offered by employers and the closure of existing schemes to new entrants.☐ Defined benefit schemes, while guaranteeing a secure income for millions of Europe's pensioners, are also an important source of capital for long-term asset classes such as private equity and infrastructure, which in turn generate income for pensioners. This virtuous circle of wealth creation would rapidly disintegrate. o In addition, rising cost of pension provision strain the solvency of the employer company backing the scheme leading to financing problems for the employer company. Such companies become less attractive for investors, including private equity, looking for companies with growth potential, including private equity funds. Increasing the cost of providing pension schemes will make it less attractive for employers to provide defined benefit schemes to their employees. ☐ Applying the Solvency II capital adequacy regime to pension funds is out of balance with much of the European Commission's stated ambitions for financing SMEs and venture capital. The European Commission is committed to making "an efficient European venture capital market a reality"☐. This ambition will be severely undermined if IORPs can not invest in private equity. The impact of applying the Solvency II capital adequacy regime would be highly likely to cause pension funds under the IORP Directive to withdraw entirely from supporting enterprise investment via private equity funds, not just reduce the level of investment.	

			☐ Pension funds under the current IORP Directive cover 25% of the working EU population. Reducing these funds' ability, through long-term investment, to meet their current and future liabilities is a significant disconnect with EU ambitions to ensure adequate incomes in retirement. The European Commission is committed "not to penalise the system"☐. Protecting the virtuous relationship between long-term growth asset classes such as private equity and infrastructure and their ability to help meet the long-term liabilities of pension funds is therefore crucial not only for pension funds and their members but also the wider economy. Risk measurement of private equity market risk EVCA considers that the approach to modelling private equity market risks under Solvency II is fundamentally flawed. The standard model is calibrated to the one-year 99.5% VaR level for both "global" and "other" equity. Private equity is assigned to the "other" equity category risk measurement of private equity is based on a listed private equity index, the LPX50. This approach is generally flawed for illiquid, long-term, non-tradable assets, such as investments in closed-end funds like private equity and venture capital funds as well as traditional real-estate and infrastructure funds: market risks are of subordinate importance to investors compared to the risks of financing the capital contributions to be made to these funds and the unpredictability of proceeds received from these funds. In almost all closed-end funds the capital employed by the fund is	

			drawn down on an as needed basis. An investor's return is generally generated when the underlying investments made by the fund are realized and proceeds distributed back to the investor. An investor's return is not generally achieved by selling their participation in the fund. For the reasons set out below, the use of the LPX50 index and the correlation factor used to aggregate "other" equities and alternative investments and calculate the requirements for private equity risks appear discriminatory and irrelevant, resulting in a flawed risk weighting for private equity. ☐ Institutional investing in private equity is predominantly through unlisted funds that have a contractual lifetime of 10 years and follow a very distinct lifecycle. In such cases it is meaningless to view risk as the volatility of a time series over short horizons. ☐ The LPX50 index does not reflect the universe of PE funds that pension funds would invest in to gain exposure to private equity and venture capital funds. It is unlikely that any of the funds a pension fund would invest in as part of their private equity portfolio is included in the LPX50. Moreover, where pension funds invest in a fund which is included in the LPX50 then such investments would be most likely to be held in the pension fund's public equity portfolio and NOT in its private equity portfolio. ☐ Whereas institutional investors in private equity are typically long-term oriented and have the intention and ability to hold onto their positions over the full lifetime of the funds, publicly quoted private equity vehicles are specifically set up to attract the wider public to this asset class and they therefore basically display the same characteristics as public stocks. Share price developments are not necessarily driven by the	

			performance of the underlying investments, but are rather a function of market sentiment. For publicly quoted private equity as typically second-line stocks (i.e. stocks with thin market capitalization or low frequency of trading), the lack of liquidity is priced into the market, the thin market results in high bid-ask spreads, often extreme discounts and price movements. As a consequence, the LPX 50 is in no way neither a representative nor a suitable yardstick for the risks institutional private equity investors incur. ☐ A more appropriate measurement would, for example, be to take the standard deviation relative to private equity funds' average returns. Taking this perspective, an independent study undertaken by Weidig and Mathonet specifically looked at the risk profile of diversified portfolios of private equity funds and found that a direct investment has a 30% probability of total loss, a fund or a portfolio of direct investments has a very small probability of total loss, and a portfolio of funds has a small probability of any loss☐. According to their results, the maximum diversification benefit is sufficiently reached with a portfolio of between twenty and thirty funds. These results have been empirically confirmed over the past years, also through difficult market cycles. ☐ Private equity funds with their low liquidity require, in the eyes of most industry practitioners, a risk analysis which is closer to that which accompanies the assessment of default risk rather than market risk. Indeed, "rating" approaches where private equity funds are grouped into categories associated with growth expectations are widely used in the industry. EVCA would be happy to provide further information and analysis on this subject and would welcome the opportunity to engage in a modelling discussion with EIOPA to avoid reaching a misguided view based on wrong assumptions on the risks	

			inherent in this asset class with far reaching implications for an important part of Europe's innovation and economic system.	
126.	Towers Watson	12.	13. Chapter 8 – Quantitative requirements What is the view of the stakeholders on the holistic balance sheet proposal? Do stakeholders think that the distinction between Article 17(1) IORPs, 17(3) IORPs and sponsor-backed IORPs should be retained or removed? The holistic balance sheet has some appeal. We welcome the pictorial representation that illustrates the various risk mitigating measures that apply in the many and varied pension systems across the Member States. Our concerns are not with the holistic balance sheet concept, which is a helpful tool, but with the following key questions: 1) What capital should IORPs be required hold (ie in physical investments or other committed assets)? 2) What additional backing reserves (such as the Solvency Capital Requirement) should IORPs be required to have available? 3) What rules should apply in relation to the capital-backing and reserving requirements? Such rules would, for example, include the types of assets that are eligible to cover each requirement and the implications of not being fully-funded or fully-reserved. If 'employer covenant' and other security mechanisms are to be considered as backing capital or reserves, which we would generally support, the main problem will be trying to place a capital value on some of those measures. Quantifying the employer covenant is recognised to be a significant challenge. That is not to say that it cannot be done, but achieving consistency across many different undertakings	Noted. The holistic balance sheet is a methodological concept only, and the issue of what basis should be adopted for calculation is a separate issue which is considered in chapters 9 and 10.

			might well lead to a perceived need for a formulaic approach. Whilst this is likely to have the attraction of (relative) simplicity, we would question whether a single value placed on employer covenant can be determined in an equitable way across all sponsor organisations. It would create an artificial incentive to 'manage' the formula in order to improve a sponsor's covenant value. Expressing employer covenant as a single value could also have unforeseen and undesirable consequences if it became known to other parties, such as corporate analysts, credit agencies, investors and lenders. However, the 'holistic balance sheet' might well be helpful as a qualitative tool to explain to members of pension funds the degree to which their pension benefits are 'secure'. Holistic assessments including employer covenant are a key component of the current UK regulatory regime. However, this is on a largely qualitative basis, with a judgement made regarding the adequacy of the employer covenant to support both the shortfall in assets relative to technical provisions and the risks inherent in the IORP's investment and funding strategy. These qualitative judgements are subject to detailed scrutiny by the national regulator. Whilst there may be grounds for increasing the level of supervisory involvement in such assessments, in our view it is unlikely to be feasible or appropriate to focus on a single value for employer covenant determined in a formulaic way. Rather, it might remain more appropriate to quantify those elements that are readily quantifiable and to leave any 'shortfall' between the assessed liabilities and the available assets to be met by the employer covenant, subject to oversight by national regulators. To this end, we conclude that further research is needed, although we doubt that a single methodology will be appropriate.	

			We also wonder what the consequences will be if there is a shortfall in the holistic balance sheet, or if the value of the employer covenant were to fall. UK IORPs do not have access to additional sources of capital outside of the employer covenant, so their opportunities to restore full funding would be dependent on increasing the value of the employer covenant. If underfunding of the holistic balance sheet triggers new restrictions on the sponsor's business, such as increasing the priority of the IORP relative to the sponsor's other creditors or restricting its use of assets, our view is that this would be extremely detrimental to sponsors. It would be likely to reduce the sponsor's ability to raise new capital or borrowings, and in turn increase the possibility of the demise of the sponsor, leading to (a) no improvement in the security of pension provision, and (b) loss of jobs – not only of those employees who are 'active' participants in the pension fund but many others too (for whom the 'defined benefit' arrangement is not and was not available. In summary, we support the principle underlying the holistic balance sheet, and in particular, that employer covenant should be recognised in an IORP's capital and reserving requirements. However, we believe that a flexible approach is needed to the quantification of employer covenant, in order to avoid undesirable outcomes and to encompass the many different circumstances of sponsoring organisations within an individual Member State and across the EU Member States as a whole. An attraction of the holistic balance sheet is its potential for application by both employer-sponsored and Regulatory Own Funds IORPs. However, differentiation between these two forms will remain necessary given that the relationship of the IORP to the sponsoring undertaking is so different – as are the security mechanisms in the jurisdictions in which the different types of	

			IORP operate.	
127.	OPSG (EIOPA Occupational Pensions Stakeholder Group)	13.	The OPSG is of the opinion that a set of common principles should apply at EU level but that the responsibility for setting the detailed rules for calculating the technical provisions should remain at Member State level. Since IORPs provide pensions subject to Social and Labour Law, detailed valuation rules should be left to Member States, since Member States decide upon the security level of the benefits. These 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 Social and Labour Law and first pillar pensions, a step that is as so far considered undesirable by most or all European parties. Since the nature of pension benefits is quite different across Europe, harmonisation of the discount rate is also not warranted. The nature and riskiness of the benefits should be reflected in the discount rate used for discounting the liabilities using different discount rates for different benefits. For guaranteed benefits a 'risk-free' discount rate seems justified, but for risky benefits, the discount rate should reflect this riskiness. The nature of pension benefits and IORPs make the concept of transfer value not logical for IORPs. In case of severe and sustained underfunding, the IORP may have the ability to cut the benefits and does not have to transfer them to a third party, as is the case for insurance companies. The valuation of assets and liabilities should be market consistent, which is not the same as market valuation. We consider that smoothing would help to avoid extreme volatility and consequential pro-cyclical behaviour, which is not necessary given the long term nature of pensions. We consider that 'risk-	Noted, not within mandate Relation risk-free in stochastic valuation and expected return in deterministic valuation clarified in explanatory text Option of not including market-consistency removed Draft advice already mentioned that long-term nature should be taken into account Option of recital consistency accounting standards removed Opinion regarding discretionary benefits, risk-margin and own credit standing noted

			free' should not necessarily imply using unadjusted market risk-free interest rates, but should take into account modifications to risk-free interest rates like modifications proposed under Solvency II, bearing in mind the longer duration and lower liquidity requirements of pensions☐. Since the nature of pension benefits is different to insurance benefits, further adjustment to pure market valuation is justified. We agree with the principle 'same risk, same capital'; yet the risk in pensions is different, hence a different valuation should be used. The OPSG agrees that pure discretionary benefits should not be included in the technical provisions. Uncertainty in assumptions in calculating the technical provisions – for example the uncertainty of the longevity trend – should not be reflected in the technical provisions, but in the capital requirements. We recognise that special assumptions are necessary for valuing the conditional benefits. These make the valuation more complex and possibly less reliable (also see remarks below; shortcomings of the holistic balance sheet). The OPSG would like to make two smaller remarks related to valuation. The first is that no own credit standing should be used for valuing the liabilities. The second is that harmonisation with accounting rules should not be leading (see also remarks on the holistic balance sheet).	
128.	AbA Arbeitsgemeinschaft für betriebliche Altersver	13.	No, we do not agree that assets of IORPs should be valued on a market-consistent basis. There is considerable evidence that markets are not efficient and, hence, market prices deviate substantially from fair value (Woolley 2010). For example, if current prices of German Bunds were fair, then there would be no rational reason for people to save and we could do away with IORPs altogether. Even those involved in defining the implementing measures for Solvency II seem to have come to	Noted

			this realization given the number of adjustments (ultimate forward rate, counter cyclical premium, illiquidity premium, equity dampener etc.) that have been introduced to the model to counteract market inefficiencies, without reaching the logical conclusion of doing away with the whole model, altogether. Moreover, any valuation based on a snap-shot view is inappropriate for IORPs that have extremely long-term liabilities and whose purpose is to provide equitable outcomes across generations. In particular, this applies to assets that are held to maturity.	
129.	ABVAKABO FNV	13.	We agree with EIOPA that assets should be valued on a market consistent basis.	Noted
130.	AEIP	13.	52. AEIP considers that the evaluation of assets, according to the ‘fair value’ principles should not be the only principle applicable because the long time horizon in wich IORPs operate can permit other criteria. 53. AEIP believes that it should be left to member states to define the evaluation standards for assets. 54. During the discussions wthin AEIP a lot of questions are raised regarding the valuation of assets according to the ‘fair value’ principles. Because the long time horizon in wich IORP operate other criteria can be valid. “Market-value”-accounting brings considerable volatility within the balance sheet. Combined with the necessity of meeting the Solvency Capital Requirements at all times, IORP’s become very vulnerable to (irrational) market behaviours. Instead of being stable, sometimes anti-cyclical investors, that stabilize financial markets, IORP’s are forced to follow the trends therefore fuelling eventual irrationalities of capital markets. They had to adjust contribution rates swiftly and sometimes beyond economic means if market	Noted, non-harmonised approach not within mandate Disadvantages addressed in explanatory text

			developments work unfavourably against them. Art. 75 implies – like in all fair-value accounting – that markets exist. This is neither true for assets nor for liabilities. Any assets that are held to maturity in order to cover liabilities shouldn't necessarily be valued on a mark-to-market basis, instead IORPs should have the option to value them on book value. 55. If the whole financial industry turns to risk based supervision using the same type of harmonised standards, everyone might be forced to move in the same direction in periods of turmoil, creating procyclical behavior. This creates a huge systemic risk. 56. Pensions schemes, formulas and systems, especially those driven by social partners, are adapted when new economical and/or societal happenings appear. A revised IORP Directive should be flexible enough to accommodate future developments and innovation of pension systems. A quantitative impact study and impact assessment seems essential before making any decision at level 1.	
131.	AFPEN (France)	13.	86. The principle of the „mark-to-market" valuation rests on the notion of efficient financial markets and the assumption that prices in financial markets reflect real economic fundamentals and therefore allow for an economically sound pricing of assets. In consequence this would imply that the volatility of financial markets is "justified" economically speaking. 87. In the light of the recent financial fluctuations and market disruptions, the short-term volatility of stock prices, interest rates and credit spreads of the financial crisis since 2008 and the actual sover-eign debt crisis in Europe it is necessary to doubt that these grave fluctuations and down-turns are justified in economic terms. The main problem hereby is that the "mark-to-market" valuation of assets directly maps these movements into	Noted, disadvantages addressed in explanatory text

			the balance sheets and the calculation of the SCR although this short-term volatility is not of great importance especially for IORPs: IORPs typically have a long term investment horizon and follow a "buy-and-hold"-strategy with respect to several asset classes like equities, bonds, property, etc. For instance high-rated fixed-interest securities, which are one of the key asset classes for IORPs, are normally held to maturity. So IORPs can cope with fluctuations in value based on short-term interest rate changes or stock market fluctuations and could therefore act as a counter-cyclical stabilizer in financial markets if not forced to "marked-to-market" valuation. In consequence for IORPs the "mark-to-market"-principle is not an appropriate and reasonable valuation criterion for assets and hence assets should not be subject to fair value accounting! For these reasons AFPEN strongly opposes to adopt the concept of "market-consistency" for the valuation of assets for the purpose of the regulation and governance of IORPs!	
133.	AMICE	13.	8. The assets should be valued market-consistently. Otherwise it would not be consistent with all other developments in the area, which aim at market-consistency. The respective principle in Solv II should be copied into a revised IORP Directive.	Noted
134.	AMONIS OFP	13.	Do stakeholders agree that assets of IORPs should be valued on a market-consistent basis? Yes. However use of fair valuation of long term or illiquid assets as an equivalent to market consistent valuation should be possible.	Noted
135.	ANIA – Association of Italian Insurers	13.	The ANIA agrees that the assets of IORPs should be valued on a market-consistent basis and that article 75(1)(a) should be copied directly in the revised IORP Directive. However, if some	Noted, value sponsor addressed in explanatory text

			security mechanisms should be treated as assets, article 75(1)(a) should be amended to allow for the inclusion of them.	
136.	Association of British Insurers	13.	The ABI accepts that Article 75(1)(a) of the Solvency II Directive should apply, but that the wording needs to be adapted to allow for the valuations of the sponsor covenant and Pension Protection Fund. We would again state our concern over how the sponsor covenant would be valued on a market consistent basis. We would also have concerns over the volatility that would be introduced to the balance sheet of the IORP from a move to a market-consistent basis and the affect that this may have on asset allocation. There will also be a significant knock-on effect for the wider economy if pension funds shift their investment outlook from the long-term to the short-term.	Noted, disadvantages and value sponsor addressed in explanatory text
137.	Association of Consulting Actuaries (UK)	13.	Yes but see also our response as regards reinsurance in question 20	Noted
138.	Association of French Insurers (FFSA)	13.	The FFSA agrees that assets of IORPs should be valued on a market-consistent basis and that article 75(1)(a) should be copied directly in the revised IORP Directive.	Noted
139.	Association of Pensioneer Trustees in Ireland	13.	See response to question 12.	Noted
140.	Assoprevidenza – Italian Association for supplemen	13.	We consider that the evaluation of assets, according to the 'fair value' principles is not the only principle applicable because the long time horizon in wich IORP operate can permit other criteria. "Fair-value"-accounting brings considerable volatility within the balance sheet. Combined with the necessity of meeting the Solvency Capital Requirements at all times, pension funds become very vulnerable to (irrational) market behaviours. Instead of being stable, sometimes anti-cyclical investors, that stabilize financial markets, pension funds are forced to follow the trends therefore fuelling eventual irrationalities of capital	Noted, disadvantages addressed in explanatory text

			markets. They had to adjust contribution rates swiftly and sometimes beyond economic means if market developments work unfavourably against them. Art. 75 implies – like in all fair-value accounting – that markets exist. This is neither true for assets nor for liabilities. Currently there are almost no markets for pension liabilities in continental Europe. All liabilities have to be marked against a certain model. But even the asset side suffers under fair value accounting: pension liabilities are very long-lasting. The average duration of a pension fund may well exceed 20 years. To replicate these liabilities with an assets portfolio that matches the liability structure, huge parts of the assets must have durations longer then 15, 20 or even 30 years. There are almost no fixed income assets with this duration available on the capital markets. Pension funds are unable to achieve a matched asset liability structure. Therefore the high duration of the liability side with the asset liability mismatch drives risk and volatility of the pension funds.	
141.	Assuralia	13.	CfA 5: Valuation of assets, liabilities and technical provisions Cfr. Q. 12 The extremely short delay for responding to the technical consultation document has forced the members of Assuralia to prioritize and to focus on a number of questions. Our lack of response to this question must not be regarded as a lack of interest or opinion.	Noted
142.	Balfour Beatty plc	13.	Do stakeholders agree that assets of IORPs should be valued on	Noted

			a market-consistent basis? Pension schemes are long-term investors and as such the market value of an asset may not be the most appropriate value to adopt. Allowance should be made for the value of expected future cashflows as well as the current market value of an asset. In some cases, such as subordinated loans and certain insurance policies, a liquid market may not exist and here the managers/trustees of the pension scheme should be able to adopt a valuation basis that they consider appropriate.	
143.	BASF SE	13.	We basically agree that assets of IORPs should be valued on a market-consistent basis. However, we believe that the long-term investment strategy which is typical for IORP have to be adequately considered when discussing the evaluation basis for assets. For instance, a key asset class for many IORPs within the context of their long-term-oriented investment strategy is very highly-rated, fixed-interest securities. These securities are held to maturity following the “buy and hold” strategy, purely as a means of generating interest revenue. Based on all accounting rules currently in effect, these assets are not subject to fair value accounting and therefore are not vulnerable to fluctuations in value based on short-term interest rate changes.	Noted
144.	Bayer AG	13.	Do stakeholders agree that assets of IORP should be valued on a market-consistent basis? The principles of valuation of assets of IORPs have to follow the	Noted

			purpose of IORPs. A valuation based on a snap-shot view is not appropriate for IORP because they work on a long-term base and their purpose is to provide continuous pension-payments. Short-term market fluctuations are less relevant in the case of long-term liabilities as there is a chance that these can be compensated in the remaining period.	
145.	BDA Bundesvereinigung der Deutschen Arbeitgeberver	13.	Do stakeholders agree that assets of IORP should be valued on a market-consistent basis? The principles of valuation of assets of IORPs have to follow the purpose of IORPs. A valuation based on a snap-shot view is not appropriate for IORP because they work on a long-term base and their purpose is to provide continuous pension-payments. Basically, short-term market fluctuations are less relevant in the case of long-term liabilities as there is a chance that these can be compensated in the remaining period. Liquidity to pay the promised benefits is only needed in the long term. This might mean that short-term market developments are easier to deal with than in a situation where liquidity is required in the short term. In particular this applies to assets that they are held to maturity.	Noted
146.	Belgian Association of Pension Institutions (BVPI-	13.	Do stakeholders agree that assets of IORPs should be valued on a market-consistent basis? Yes. However use of fair valuation of long term or illiquid assets as an equivalent to market consistent valuation should be appropriate.	Noted
147.	BNP Paribas Cardif	13.	BNP Paribas Cardif agrees that assets of IORPs should be valued on a market-consistent basis and that article 75(1)(a) should be	Noted

			copied directly in the revised IORP Directive.	
148.	BT Group plc	13.	The insistence on market-consistent valuation approaches is not necessary. Pension schemes adopt equity investment strategies that match expected cash inflow with benefit outgo. From the perspective of the pension scheme, the appropriate valuation method should reflect the discounted value of future cash flows as well as the current market value of any particular stock.	Noted
149.	BT Pension Scheme Management Ltd	13.	This is a difficult question to answer without a clear view as to what market-consistent valuations mean in practice. In general, it seems to us the only possible valuation of assets that have a market value to use the market valuation - though we would note the importance of using modelled valuations when market pricing fails in some way. This is particularly important for long-term assets, such as infrastructure for example, where there is no active market and modeled valuations will always be necessary; there needs to be proper scope within any valuation process to accommodate assets such as this. There are still more complex assets which many defined benefit schemes benefit from. Clearly, with regard to such items as the value of sponsor covenants and pension payment guarantee vehicles there is no available market valuation and so a different and more complex approach is needed if these are to be assessed as assets of the IORP - which we believe they very clearly are, even if they are simply a balancing item in a qualitative assessment of the protection provided to beneficiaries.	Noted, definition clarified and sponsor and pension protection funds mentioned in explanatory text
150.	Bundesarbeitgeberverband Chemie e.V. (BAVC)	13.	BAVC is of the opinion that valuation of assets and liabilities should be market consistent, which is different to market valuation. Short-term volatility is not of great importance especially for IORPs: IORPs typically have a long term investment horizon. The principles of valuation of assets of	Noted

			IORPs have to follow the purpose of IORPs. A valuation based on a snap-shot view is not appropriate for IORP because they work on a long-term base and their purpose is to provide continuous pension-payments. Basically, short-term market fluctuations are less relevant in the case of long-term liabilities as there is a chance that these can be compensated in the remaining period. Liquidity to pay the promised benefits is only needed in the long term. This might mean that short-term market developments are easier to deal with than in a situation where liquidity is required in the short term. In particular this applies to assets that they are held to maturity.	
151.	BVI Bundesverband Investment und Asset Management	13.	Even for insurers it is questionable whether full market consistency is sensible in respect to the long-term perspective of liabilities. The liabilities of IORPs have an even longer perspective than that of insurers. Therefore, BVI accepts market consistency in principle, but strongly recommends the implementation of mitigating mechanisms (e.g. concepts as valuation of "held to maturity" securities to amortised purchase cost) to prevent negative impacts of irrational market behaviour. Valuation on a fully market-consistent basis could even favour pro-cyclicality. Furthermore, full market consistency may cause undesirable tactical bias of the strategic asset allocation.	Noted
152.	CEA	13.	The CEA agrees that the assets of IORPs should be valued on a market-consistent basis and that article 75(1)(a) should be copied directly in the revised IORP Directive. However, if some security mechanisms should be treated as assets, article 75(1)(a) should be amended to allow for the inclusion of them.	Noted, value sponsor mentioned in explanatory text
153.	Charles CRONIN	13.	For the purposes of a HBS, I do not believe that IORP assets	Noted, disadvantages

			should be valued at market price, but do believe that a market consistent basis is achieved by applying a model if only for DB and hybrid schemes. I suggest the use of Discounted Income Value method that was in general use in the UK and Ireland before the introduction of IFRS 19. The desire to value scheme assets at market view is perfectly proper if markets are efficient. However this is not the case, the Efficient Market Hypothesis has been challenged on many occasions, so many as to question its utility for valuing pension assets. The volatile movements that have characterised the equity markets over the last 10 years have greatly exceeded changes in the underlying economic value of the companies they describe. The downward trend in government bond yields to historic lows is a product of extraordinary intervention by governments to create economic stimulus. It is not an accurate reflection of the supply and demand for government debt. Equity market volatility and government intervention in the debt markets has had an adverse effect on DB pension schemes. Equity market volatility has made equities appear too risky for scheme sponsors and managers. With the result that both have sought to reduce volatility through a reduction in equity investments, which sadly are one of the few asset classes that are capable of generating long term real returns. The reduction in equities has led to the purchase of bonds trading on extraordinary low yields, which in the long run do not provide long term real returns. The shortage of long term government paper, low yields and an aversion to equities has forced DB schemes to acquire synthetic instruments to cover specific risks: inflation, interest rates and longevity. These instruments carry	mentioned in explanatory text

			an unknown degree of counterparty risk and could contribute to systemic risk. The Discounted Income Value method came to my attention on reading a paper published by the European Actuarial Consultative Group titled "Actuarial Methods and Assumptions used in the valuation of retirement benefits in the EU and other European countries" edited by David Collinson, published in 2001. The interesting feature about this paper is that it discusses the methods and assumptions used pre and post the introduction of IFRS 19. Prior to the introduction of IFRS 19 pension fund assets in the UK and Ireland were commonly measured under the Discounted Income Value method, where: "The value placed on the assets is the present value of the expected future income and capital proceeds from the assets held. This might be done individually for the assets held or a model portfolio may be assumed with a market value equal to the market value of the actual assets held. For investments with variable proceeds (e.g. equities, property) this will involve assumptions as to the future development of the dividend/rental income", see Appendix 2 para. 4.1.3. Given that pension fund actuaries use assumptions for all the factors that value a scheme's liabilities and the path of asset growth to fund those liabilities, it seems that one gains false comfort from building ones calculations on the market value of a portfolio, given the failings of the efficient market hypothesis. The attractions of valuing assets at market value are obvious when market value exceeds intrinsic value. However when	

			security values exceed their fundamental value, there is a risk that their value will fall toward fundamental value and below. The existence of overvaluation should send a signal to scheme managers to adjust the portfolio to lock in gains and protect against adverse price movements. Currently this transmission mechanism is missing to detriment of scheme member interests (forgone investment return). If such a transmission mechanism was in place, it would exert a counter cyclical force on the price development of the markets. Though not strictly related to the revision of the IORP Directive, I do believe there is a link between the change in valuing pension assets from the Discounted Value Income method to market value and rising public concern on short termism by institutional investors.	
154.	Chris Barnard	13.	Yes, I agree that assets of IORPs should be valued on a market-consistent basis. This is more objective, realistic and appropriate.	Noted
155.	CMHF (Centrale van Middelbare en Hogere Functionar	13.	We agree with EIOPA that assets should be valued on a market consistent basis.	Noted
156.	De Unie (Vakorganisatie voor werk, inkomen en loop	13.	We agree with EIOPA that assets should be valued on a market consistent basis.	Noted
157.	Derek Scott of D&L Scott	13.	EIOPA needs to do far more research on the limitations of mark-to-market valuations applied "consistently". Valuation lot sizes are often very small in comparison with the total security holdings of institutional investors. While some markets are more efficient than others, the necessary assumptions of the efficient market hypothesis are not met in practice. Mark-to-	Noted, disadvantages addressed in explanatory text

			market valuation is also pro-cyclical in nature. An alternative measurement basis could be to focus on the original cost of investments, including transaction and holding costs, the initial income yield (if any), the growth or deterioration in yield and the expected realisation value, as well as the point-in-time comparison with mark-to-market values. Instead of marking to market, disclosing relative to market would force those responsible for institutional investment to justify their buying, holding and selling disciplines. More attention also needs to be given to the liquidity of intended exit markets.	
158.	Direction Générale du Trésor, Ministère des financ	13.	Yes, we agree that assets of IORPs should be valued on a market-consistent basis.	Noted
159.	Ecie vie	13.	Yes	Noted
160.	EFI (European Federation of Investors)	13.	We have to be very prudent when introducing a mrket consistent aprraoch. Does it make sens to evaluate assets on their market value when we see that this market value can fluctuate from one hour to the next of somethong like 5 or 10% ? Pensions liabilities doens't have the same level of exigibility than other liabilities in terms of duration. Therefore it is necessary to work on a valuation system that will recognize this degree of long term detention.	Noted, disadvantages addressed in explanatory text
161.	European Association of Public Sector Pension Inst	13.	Do stakeholders agree that assets of IORPs should be valued on a market-consistent basis? The principle of the "mark-to-market" valuation rests on the notion of efficient financial markets and the assumption that	Noted, disadvantages addressed in explanatory text

			prices in financial markets reflect real economic fundamentals and therefore allow for an economically sound pricing of assets. In consequence this would imply that the volatility of financial markets is “justified” economically speaking. In the light of the recent financial fluctuations and market disruptions, the short-term volatility of stock prices, interest rates and credit spreads of the financial crisis since 2008 and the current sovereign debt crisis in Europe it is necessary to doubt that these grave fluctuations and down-turns are justified in economic terms. The main problem is that the “mark-to-market” valuation of assets directly maps these movements into the balance sheets and the calculation of the SCR although this short-term volatility is not of great importance especially for IORPs: IORPs typically have a long term investment horizon and follow a “buy-and-hold”-strategy with respect to several asset classes like equities, bonds, property, etc. For instance highly-rated fixed-interest securities, which are one of the key asset classes for IORPs, are normally held to maturity. So IORPs can cope with fluctuations in value based on short-term interest rate changes or stock market fluctuations and could therefore act as a counter-cyclical stabilizer in financial markets if not forced to “mark-to-market” valuation (see CfA 8). Therefore, EAPSI advises EIOPA that the valuation of assets should not always be valued marked-to-market: exemptions should be possible.	
162.	European Central Bank, Directorate General Statist	13.	Irrespective of the appropriate valuation of assets for supervisory purposes, for the purpose of ESCB statistics a	Noted

			valuation of assets at market values is required, which is also the basis in Solvency II, Art. 75(1)(a).	
163.	European Federation for Retirement Provision (EFRP	13.	The EFRP agrees that assets should be valued on a market consistent basis. However, market consistency doesn't imply that it has to be valued Marked-to-Market (MtM). The current definition of market consistency should be clarified in order to prevent the misunderstanding that market consistency is a proxy for MtM. In appropriate circumstances, valuations rules should permit methods that reduce short-term volatility of values over time for actuarial and funding purposes. For a long term investor like an IORP such an addition is not only reasonable but required, also with respect to the desired countercyclical policy of IORPs (Call for Advice Chapter 8). Therefore, the EFRP advises EIOPA that the valuation of assets should not always be valued MtM: exemptions should be possible. For example, it should be allowed to value long term bonds which are bought to hold and to value these hold to maturity. Due to the long term horizon for example, IORPs are able to invest in more illiquid and return-seeking assets. For such kind of investments marked-to-market valuations are not always possible. It should also be possible to deviate from the MtM in cases of severe market disturbances. Stock prices, interest rates and credit spreads can be very volatile during a financial crisis: markets can overreact and sometimes it is very questionable if these fluctuations can be justified in economic terms. The main problem hereby is that the MtM valuation of assets directly maps these movements into the balance sheets although this short-term volatility is not of great importance especially for IORPs: IORPs typically have a long	Noted, definition and disadvantages clarified in explanatory text

			term investment horizon.	
164.	European Metalworkers Federation	13.	EMF considers that the evaluation of assets, according to the 'fair value' principles should not be the only principle applicable because the long-term horizon in which IORPs operate can permit other criteria. The use of a fair valuation of long-term or non-liquid assets as an equivalent to market consistent valuation should be appropriate. Pensions schemes, formulas and systems, especially those driven by social partners, are adapted when new economic and/or societal occurences appear. A revised IORP Directive should be flexible enough to accommodate future developments and innovation of pension systems.	Noted
165.	European Mine, Chemical and Energy workers' Fede	13.	EMCEF considers that the evaluation of assets, according to the 'fair value' principles should not be the only principle applicable because the long-term horizon in which IORPs operate can permit other criteria. The use of a fair valuation of long-term or non-liquid assets as an equivalent to market consistent valuation should be appropriate. Pensions schemes, formulas and systems, especially those driven by social partners, are adapted when new economic and/or societal occurences appear. A revised IORP Directive should be flexible enough to accommodate future developments and innovation of pension systems.	Noted
166.	FAIDER (Fédération des	13.	We have to be very prudent when introducing a mrket consistent	Noted, disadvantages

	Associations Indépendantes		aprraoch. Does it make sens to evaluate assets on their market value when we see that this market value can fluctuate from one hour to the next of somethong like 5 or 10% ? Pensions liabilities doens't have the same level of exigibility than other liabilities in terms of duration. Therefore it is necessary to work on a valuation system that will recognize this degree of long term detention.	addressed in explanatory text
167.	Federation of the Dutch Pension Funds	13.	We agree with EIOPA that assets should be valued on a market consistent basis.	Noted
168.	Financial Reporting Council	13.	It is most important to assess assets and liabilities consistently. We consider that liabilities should be valued on a fulfilment basis and the approach to valuing assets should be consistent with this. While market values have the advantage of objectivity, they are determined by buyers and sellers who have different liability profiles to pension plans, usually. The value of the assets to pension plans, who have some of the longest duration liabilities of all investors may be very different to the values to traders and index/benchmark driven asset managers. We observe that the volatility in pension scheme surpluses/deficits during the recent market events has been very high, and may have led sponsors to close or de-risk their plans because of the reporting effects, rather than real changes in underlying values.	Noted, disadvantages addressed in explanatory text
169.	FNMF – Fédération Nationale de la Mutualité Françaa	13.	FNMF does not agree on valuation principles based on market value. This principle leads to transfer the volatility of the markets to the own funds of the undertaking. As an illustration of this volatility, here are, on a quaterly basis, the ratios Own funds/SCR provided by one of the mutual society, observed between 12.31.2007 and 09.31.2009 : 110% ; 130% ; 150% ;	Noted, disadvantages addressed in explanatory text

			120% ; 20% ; 60% ; 110% ; 150%. Such variations in own funds do not allow any assets and liabilities management on a consistent basis : pension management requires strategic decisions based on long-term horizon, and not "polluted" by erratic short term variations of market prices.	
170.	FNV Bondgenoten	13.	We agree with EIOPA that assets should be valued on a market consistent basis.	Noted
171.	Generali vie	13.	Yes	Noted
172.	German Institute of Pension Actuaries (IVS\32\45\3	13.	We disagree. We believe that a mark-to-market valuation of assets is not suitable for risk-managed IORPs. Strong volatility in asset values would lead to amplified volatility in capital requirements. These fluctuations would in turn be contrary to the nature of an IORP: its long-term obligations, held-to-maturity financial assets (and the resulting loss-absorption possibility) as well as the typical lack of a sponsor's and members' cancellation options. Furthermore, we see the danger that a fair value approach would force IORPs towards pro-cyclical investment decisions. This would enforce the trend to overinvest in overvalued securities.	Noted, disadvantages addressed in explanatory text
173.	GESAMTMETALL - Federation of German employer	13.	Do stakeholders agree that assets of IORP should be valued on a market-consistent basis? The principles of valuation of assets of IORPs have to follow the purpose of IORPs. A valuation based on a snap-shot view is not	Noted, disadvantages addressed in explanatory text

			appropriate for IORP because they work on a long-term base and their purpose is to provide continuous pension-payments. Basically, short-term market fluctuations are less relevant in the case of long-term liabilities as there is a chance that these can be compensated in the remaining period. Liquidity to pay the promised benefits is only needed in the long term. This might mean that short-term market developments are easier to deal with than in a situation where liquidity is required in the short term. In particular this applies to assets that they are held to maturity.	
174.	Groupe Consultatif Actuariel Européen.	13.	Yes	Noted
175.	Groupement Français des Bancassureurs	13.	FBIA agrees that assets of IORPs should be valued on a market-consistent basis and that article 75(1)(a) should be copied directly in the revised IORP Directive.	Noted
176.	PMT-PME-Mn Services	13.	We agree with EIOPA that assets should be valued on a market consistent basis.	Noted
177.	HM Treasury/Department for Work and Pensions	13.	We agree that any valuation of assets should be based on current market value. However, we have deep concern about the underlying assumption that viability of pension schemes should be judged solely on the basis of a point-in-time calculation comparing the current market value of assets with the net present value of liabilities. The critical issue with respect to IORPs is to ensure that current and future assets are sufficient to cover current and future cash-flows. However, given the predictable, illiquid, and very long-term nature of most IORPs liabilities, a point-in-time comparison	Noted, advantages and disadvantages addressed in explanatory text

			is by itself of limited value in assessing the risk that those future cash-flows may not be met. It needs to be used cautiously as an indicator of future risks that informs the actions of the supervisor, not as the final measure of solvency, with certain prescribed consequences. This is in stark contrast to liabilities for most insurance products, where liabilities are mostly very short-term, and the current market value of assets is therefore an essential determinant of whether those short-term liabilities can be met. It is noticeable that the application of market-consistent valuation of assets and liabilities to long-term products has been by far the most difficult aspect of Solvency II. The introduction of a number of complex (and controversial) mechanisms aimed at eradicating “artificial volatility” (ie. volatility on the balance sheet that does not reflect changes to the underlying risks) in Solvency II is itself evidence that a point-in-time market valuation does not provide an accurate or complete reflection of risk for certain long-term products. Any fundamental review, such as this purports to be, should look at the fundamental issues, and it is therefore unfortunate and disappointing that EIOPA have not yet taken the opportunity to explore the merits and demerits of applying this approach to IORPs, or looked at potential alternatives.	
178.	IMA (Investment Management Association)	13.	Valuation of assets, liabilities and technical provisions is a complex and difficult area, not least because it could have dramatic implications for the sustainability of certain models of provision. With respect to the questions posed in this section (CfA5), we do not believe there is a compelling case for moving beyond current requirements in the IORP Directive, particularly as it is so unclear how the holistic balance sheet approach would	Noted

			take account of key elements such as the employer covenant.	
179.	ING Insurance	13.	We agree that the revised directive should have rules on: ☐ Methods to calculate assets, liabilities and technical provisions ☐ Capital requirements to protect the consumers' interests ☐ Investment policy ☐ Supervision of pension funds Yet, there should only be a minimum level of harmonization.	Noted, non-harmonised approach not within mandate
180.	Institute and Faculty of Actuaries (UK)	13.	Yes, financial assets should be valued on a market-consistent basis.	Noted
181.	KPMG LLP (UK)	13.	We agree that assets should continue to be valued on a market consistent basis.	Noted
182.	Le cercle des épargnants	13.	Yes	Noted
184.	Mercer	13.	In theory, market consistent valuations seem attractive because they appear to provide an objective measure. However, in practice, they do not necessarily achieve this: generally, for example, market valuations can be affected by investor preference, but more specifically, for some assets and liabilities, a 'market' does not exist. In particular, there is no market for the liabilities of ongoing pension schemes. Although the question relates to the measurement of asset values, consistency is a fundamental accounting principle, so it is important to consider the extent to	Noted

			which this can be achieved. Paragraph 9.3.13 points to 9.3.8 for an explanation of a 'market consistent basis' for pension scheme liabilities, but the consultation document makes a clearer statement about what is intended in the proposed EIOPA advice on possible amendments to Article 77. Here it says that the technical provisions (best estimate of liabilities plus risk margin) should be the amount one IORP would need to take over and meet another IORP's obligations. Although we believe this could achieve a good outcome in the case of IORPs that carry their own risks, it will not work well in relation to schemes that rely on company covenant. In this case, there is no consistent measure of the amount required, since schemes will often take into account the employer's interests and covenant when deciding whether, and on what basis, to accept a bulk transfer of another scheme's liabilities. It is certainly not the case that a risk free, or matching cash flow, approach would be used to determine the amount of assets transferred between each IORP. It is possible that references to a 'transfer value' in the consultation document are made in relation to the cost of transferring IORP liabilities to an insurance company. However, in our view this is not necessarily an appropriate measure for a scheme except in wind up, so at best represents an upper bound for where to set technical provisions, rather than a market valuation. On the other hand, it could be argued that, when agreeing to accept a bulk transfer from another IORP, schemes do consider	

			the employer covenant available to them (not the covenant available to the transferring scheme). For example, they might be prepared to accept a lower transfer of assets where they had evidence that their sponsoring employer's covenant was strong enough to support the risk inherent in the amount transferred. Another consideration arises from pension schemes' non-profit nature: generally: ☐ the receiving scheme will be interested in ensuring it receives sufficient assets in relation to the transferred liabilities so that, in conjunction with the employer covenant, it has not undermined the security of its existing members; whereas, ☐ whilst taking relative levels of security in the two schemes into account, the transferring scheme will be concerned that the assets transferred do not undermine the security of its remaining members, in conjunction with its employer's covenant. In an insurance context, when a transfer takes place, both parties are concerned about the profitability of the exercise for their shareholders. Although they could have different books of business that mean their interests are not identical, they will take similar matters into account, It seems that, in the absence of a real market and under pressure to determine a market consistent approach to be consistent with Solvency II, EIOPA has devised an artificial construct that does not seem coherent. In particular, a quasi-	

			transfer value approach might impose short termism on IORPs that is inconsistent with the long term nature of the liabilities that, for example, do not require immediate liquidity or even full funding on a least risk basis to be secure. It is possible that, when negotiating sales and purchases, employers assume a value for the pension scheme liabilities (net of scheme assets) that are being transferred, adjusting the sale price accordingly. However, even if this is the case, we do not believe it would give rise to a consistent measurement, because it is likely to be affected by the other value the purchaser sees in the target entity. Rather than introducing a false impression that, on transfer, there is a 'market' price, we would prefer that alternative approaches to calculating technical provisions are considered. Our preferred approach depends on how the information will be used for regulatory purposes. For example, IORPs are likely to be better placed to manage the risks in their scheme if they are aware of the market price of purchasing financial instruments that match their expected future cash flows. Our view is that this is the closest many ongoing IORPs will be able to get to a 'market consistent' measure. However, we think it would not be appropriate to mandate this calculated amount as a minimum threshold for the level of financial assets that all IORPs must hold. Finally, because markets are imperfect and often short-term, and IORP liabilities are generally long term and not directly 'marketable', market consistent measurements should only be part of the information used by IORPs and regulators to manage the risks they face. In particular, if the intention is to operate a	

			counter cyclical regulator regime (CfA 8) relying solely on market consistent measures will create difficulties.	
185.	MHP (Vakcentrale voor Middengroepen en Hoger Perso	13.	We agree with EIOPA that assets should be valued on a market consistent basis.	Noted
187.	National Association of Pension Funds (NAPF)	13.	VALUATION OF ASSETS, LIABILITIES AND TECHNICAL PROVISIONS Do stakeholders agree that assets of IORPs should be valued on a market-consistent basis? EIOPA should define what 'market consistent' means in the context of the current consultation. As explained in our answer to Q16 below, it should not equate to the 'mark to market' approach employed in IAS19, which has undermined long-term pension provision. The NAPF would suggest that 'market consistent' is best defined at Member State level by national regulators.	Noted, non-harmonised approach not within mandate and definition clarified in explanatory text
189.	NORDMETALL, Verband der Metall- und Elektroindustr	13.	Do stakeholders agree that assets of IORP should be valued on a market-consistent basis? The principles of valuation of assets of IORPs have to follow the	Noted

			purpose of IORPs. A valuation based on a snap-shot view is not appropriate for IORP because they work on a long-term base and their purpose is to provide continuous pension-payments. Basically, short-term market fluctuations are less relevant in the case of long-term liabilities as there is a chance that these can be compensated in the remaining period. Liquidity to pay the promised benefits is only needed in the long term. This might mean that short-term market developments are easier to deal with than in a situation where liquidity is required in the short term. In particular this applies to assets that they are held to maturity.	
190.	Pan-European Insurance Forum (PEIF)	13.	Assuming that the Solvency II Framework Directive is the model to follow, then in principle, all assets should be valued on a market-consistent basis. However, PEIF would like to further assess this before taking a firmer position. We refer to our opening general comment and we identify elsewhere certain questions that need further assessment. As the emerging Solvency II regime, particularly as regards long term products, has raised some as yet unanswered questions, we urge caution about transposing current Solvency II approaches uncritically here. Even if valuation is intended to influence the behaviour of the IORP and its supervisor, the system of valuation must not become tied to sets of rigid, mechanistic responses and expectations e.g. as to funding or asset allocation decisions. In particular, short-term volatility and impact on long-term business need to be read properly. Even if it is a good idea in principle to include the sponsor covenant as an asset there are still issues around its measurement (see below).	Noted

192.	Pensioenfonds Zorg en Welzijn (PFZW)	13.	We agree with EIOPA that assets should be valued on a market consistent basis.	Noted
193.	Predica	13.	Predica agrees that assets of IORPs should be valued on a market-consistent basis and that article 75(1)(a) should be copied directly in the revised IORP Directive.	Noted
194.	prof.dr. A.A.J. Pelsser HonFIA, Netspar & Maastric	13.	Yes, value assets on a market-consistent basis.	Noted
195.	PTK (Sweden)	13.	Assets should be valued on a market consistent basis. However, market consistency doesn't imply that it has to be valued Marked-to-Market (MtM). In appropriate circumstances, rules may permit methods that reduce short-term volatility of values over time for actuarial and funding purposes. For a long term investor like an IORP such an addition is not only reasonable but required, also with respect to the desired countercyclical policy of IORPs (Call for Advice Question 8). Therefore, the valuation of assets should not always be valued marked-to-market: exemptions should be possible. It should be allowed to value long term bonds which are bought to hold and to value these hold to maturity. Due to the long term horizon, IORPs are able to invest in more illiquid and return-seeking assets. For such kind of investments marked-to-market valuations are not always possible. It should also be possible to deviate from the MtM in cases of severe market disturbances.	Noted
196.	Railways Pension Trustee Company Limited ("RPTCL	13.	It is important to assess assets and liabilities consistently. However, due to inconsistencies of approach, adopting a market-	Noted, disadvantages addressed in

			consistent basis for assets can have serious implications for prudent investment strategies adopted to fund liabilities for pension schemes, which are normally paid out over several decades or more. Rather than assess assets on a basis which may be influenced by volatile market values, it would be preferable for the related liabilities to be valued on an assessed basis via a discounted cash flow model and adopt an approach to valuing assets on a basis consistent with this.	explanatory text
197.	Sacker & Partners LLP	13.	CfA5: Valuation of assets, liabilities and technical provisions	
199.	Standard Life Plc	13.	The use of market value is appropriate when considering market traded assets. However, for non-traded assets such as the covenant this adds a further level of complexity to the valuation. It is difficult to envisage what the market consistent value of the employer covenant means and hence how it helps ensure the provision of benefits for members.	Noted
201.	TCO	13.	Assets should be valued on a market consistent basis. However, market consistency doesn't imply that it has to be valued Marked-to-Market (MtM). In appropriate circumstances, rules may permit methods that reduce short-term volatility of values over time for actuarial and funding purposes. For a long term investor like an IORP such an addition is not only reasonable but required, also with respect to the desired countercyclical policy of IORPs (Call for Advice Question 8). Therefore, the valuation of assets should not always be valued marked-to-market: exemptions should be possible. It should be allowed to value long term bonds which are bought to hold and to value these hold to maturity. Due to the long term horizon, IORPs are able to invest in more illiquid and return-seeking assets. For such kind of investments marked-to-market valuations are not always possible. It should also be possible to deviate from the MtM in	Noted

			cases of severe market disturbances.	
202.	Tesco PLC	13.	Do stakeholders agree that the assets of IORPS should be valued on a market consistent basis? EIOPA should define what 'market consistent' means in the context of the current consultation. It should not equate to the 'mark to market' approach employed in IAS19, which has undermined long-term pension provision. We believe that 'market consistent' is best defined at Member State level by national regulators.	Noted, non-harmonised approach not within mandate, definition clarified in explanatory text
203.	THE ASSOCIATION OF CORPORATE TREASURERS	13.	Do stakeholders agree that assets of IORPs should be valued on a market-consistent basis? Taking asset values at a spot point of time has the potential for introducing huge variations in the holistic balance sheet that could be triggered by abnormal valuations ruling on that day. At times of market turbulence assets may simply not be tradable or be subject to a huge illiquidity premium. Determining funding and capital requirements on that basis would be pro-cyclical and generate inappropriate outcomes. We accept the market consistent basis but with the proviso that there be regualor discretion to make suitable adjustments for non typical market times.	Noted, disadvantages and solutions addressed in explanatory text
204.	The Association of Pension Foundations (Finland)	13.	Assets should be valued on market-consistent basis.	Noted
205.	The Association of the Luxembourg Fund	13.	A market-consistent basis should be used as a general rule. However, for certain assets held by an IORP on a long-term	Noted

	Industry (A		basis, the use of other valuation methods should be permitted with appropriate safeguards; such safeguards would need to be determined. For a long term investor like an IORP such a possibility is not only reasonable but required, also with respect to the desired countercyclical policy of IORPs (Call for Advice Question 8). Due to the long term horizon for example, IORPs are able to invest in more illiquid and return-seeking assets. For such kind of investments marked-to-market valuations are not always possible. Therefore, the Respondents agree to advise EIOPA that the valuation of assets should not always be valued marked-to-market.	
206.	The Hundred Group of Finance Directors (UK)	13.	The insistence on market-consistent valuation approaches is misplaced. Pension schemes adopt equity investment strategies that match expected cash inflow with benefit outgo. From the perspective of the pension scheme, the appropriate valuation method should reflect the discounted value of future cash flows as well as the current market value of any particular stock.	Noted
207.	The Society of Actuaries in Ireland	13.	Yes – for illiquid assets, an appropriate proxy should be used.	Noted
208.	Towers Watson Deutschland GmbH	13.	We agree provided that market-consistency does not mean a strict mark-to-market valuation. The definition of "market-consistency" should be clarified in order to prevent the misunderstanding that market-consistency is a proxy for market value. In appropriate circumstances, valuations rules should permit methods that reduce short-term volatility of values over time for regulatory purposes. For a long term investor like an IORP such an addition is not only reasonable but required, also	Noted, definition clarified and disadvantages addressed in explanatory text

			with respect to the desired countercyclical investment policy of IORPs. E.g. some assets, such as subordinated loans and certain insurance policies, however, may not have a liquid market and here the managers/trustees of the IORP should have the ability to adopt a valuation basis that they consider appropriate and subject to the oversight of the national regulator.	
209.	Trades Union Congress (TUC)	13.	Valuation of assets, liabilities and technical provisions Do stakeholders agree that assets of IORPs should be valued on a market-consistent basis? The TUC does not agree that assets of IORPs should be valued on a market-consistent basis. One reason for this is that the risk-free rate may not necessarily be the risk-free rate at which risk-free bonds and other assets are purchased. See also question 14.	Noted
210.	UK Association of Pension Lawyers	13.	CfA 5 (Valuation of assets, liabilities and technical provisions): Do stakeholders agree that assets of IORPs should be valued on a market-consistent basis? We do not support the core premise of adapting Solvency II for the generality of IORPs or re-legislating for IORPs by reference to the single market or a level playing field with insurance companies without reference to whether the IORPs actually or potentially "act in a manner similar to insurance companies" or are genuinely and meaningfully competing or operating in the	Noted, disadvantages addressed in explanatory text

			same market as insurance companies. See the general comments we make in relation to question 38 below. We have nonetheless provided a comment in response to the specific question raised here, in the interests of providing EIOPA with a UK technical legal perspective on this matter, but (to emphasise a point made in raised in part (2) of our general comments at the beginning of this document) our having commented on this question should not be interpreted as our having given explicit or implicit support to the proposition of applying Solvency II to the generality of IORPs. Furthermore, this comment can only be viewed as an initial thought in the absence of further consultation on the potential economic effects of Solvency II (see the concerns raised in part (3) of our general comments at the beginning of this document), and indeed in the absence of an opportunity to carry out a more detailed technical analysis of the proposals under consideration and of the likely practical consequences of implementing them (see the comments made in the last paragraph of part (1) of our general comments at the beginning of this document). With those important qualifications in mind, our comment in response to this specific question is that the concept of a “market consistent basis” appears logical, but market volatility is de-stabilising and negative in its effects, so consideration should be given to some smoothing. Input is also needed from the actuarial profession to highlight any practical or conceptual difficulties inherent in this approach.	
211.	UNI Europa	13.	UNI Europa considers that the evaluation of assets, according to a market consistent basis should not be the only principle applicable because the long-term perspective in which IORPs operate can permit other criteria. The use of a fair evaluation of long-term or non-liquid assets as an equivalent to market consistent evaluation could be appropriate.	Noted

			Pension schemes, formulas and systems, especially those driven by social partners, are adapted when new economic and/or societal changes occur. A revised IORP Directive should be flexible enough to accommodate future developments and innovation of pension systems.	
212.	Universities Superannuation Scheme (USS),	13.	VALUATION OF ASSETS, LIABILITIES AND TECHNICAL PROVISIONS Do stakeholders agree that assets of IORPs should be valued on a market-consistent basis? EIOPA should define what ‘market consistent’ means in the context of the current consultation. It should not equate to the ‘mark to market’ approach employed in IAS19, which has undermined long-term pension provision. USS would suggest that ‘market consistent’ is best defined at Member State level by national regulators.	Noted, non-harmonised approach not within mandate. Definition clarified in explanatory text
213.	vbw – Vereinigung der Bayerischen Wirtschaft e. V.	13.	Do stakeholders agree that assets of IORP should be valued on a market-consistent basis? The principles of valuation of assets of IORPs have to follow the purpose of IORPs. A valuation based on a snap-shot view is not appropriate for IORP because they work on a long-term base and their purpose is to provide continuous pension-payments.	Noted

			Basically, short-term market fluctuations are less relevant in the case of long-term liabilities as there is a chance that these can be compensated in the remaining period. Liquidity to pay the promised benefits is only needed in the long term. This might mean that short-term market developments are easier to deal with than in a situation where liquidity is required in the short term. In particular this applies to assets that they are held to maturity.	
214.	Verband der Firmenpensionskassen (VFPK) e.V.	13.	A valuation of assets on a mark-to-market basis is one of various options for determining an alleged "fair value". Especially the highly volatile valuation of shares and bonds as observed during the past years prevents the only use of mark to market valuation for any risk-based management of IORPs. To ensure consistency the mark to market valuation of assets has to be followed by a mark to market valuation of liabilities which has to be rejectetd.	Noted
215.	Verbond van Verzekeraars	13.	The principles of Solvency II follow a risk-based approach and create a sound prudential regime. These principles should serve as the basis for regulating IORP's.	Noted
216.	VHP2 (Vakorganisatie voor middelbaar en hoger pers	13.	We agree with EIOPA that assets should be valued on a market consistent basis.	Noted
217.	Whitbread Group PLC	13.	We see no reason for change to the current regulatory regime for UK pension schemes, which provides strong protection for member's pension benefits	Noted, non-harmonised approach not within mandate
218.	Zusatzversorgungskasse des Baugewerbes AG	13.	18. We consider the "market-value"-accounting of assets to be inappropriate for IORPs. It brings considerable volatility within the balance sheet. Combined with the necessity of meeting the Solvency Capital Requirements at all times, IORPs become very vulnerable to (irrational) market behaviours.	Noted, disadvantages addressed in explanatory text

			Instead of being stable, sometimes anti-cyclical investors, that stabilize financial markets, IORPs are forced to follow trends therefore fuelling eventual irrationalities of capital markets. They had to adjust contribution rates swiftly and sometimes beyond economic means if market developments work unfavourably against them. Art. 75 implies – like in all fair-value accounting – that markets exist. This is neither true for all assets nor for pension liabilities. Any assets that are held to maturity in order to cover liabilities shouldn't necessarily be valued on a mark-to-market basis. Instead IORPs should have the option to value them on book value. 19. If the whole financial industry turns to risk based supervision using the same type of harmonised standards, everyone might be forced to move in the same direction in periods of turmoil, creating procyclical behavior. This creates a huge systemic risk. A quantitative impact study and impact assessment seems essential before making any decision at level 1.	
219.	European Private Equity & Venture Capital Associat	13.	EVCA agrees with EIOPA that assets should be valued on a market consistent basis. However, EVCA stresses that a market-consistent basis should not be limited to "mark-to-market" valuation as this will not always be appropriate. IORPs are long-term investors and their long-term investment horizon means they are able to invest in more illiquid growth assets such as private equity investments. For such investments mark-to-market valuations are not always possible and not meaningful. Therefore, EVCA urges EIOPA to expressly recognise that market consistent valuations encompass the "fair value" valuation methods consistently applied in the private equity fund sector and laid down in the	Noted

			IPEV guidelines in order for such valuation methods not to be detrimental to the financing of European non-listed companies. EVCA has outlined its opposition to the application of the Solvency II regime to IORPs under question 12 above and expressly wishes to cross-reference to those statements. The unsuitability of such application has in particular to be attributed to the short-sighted and pro-cyclical consequences of the "fire sale" concept underlying the mark-to-market approach.	
220.	Towers Watson	13.	14. CfA 5 Valuation of assets, liabilities and technical provisions Do stakeholders agree that assets of IORPs should be valued on a market-consistent basis? Yes, where possible, financial assets should be valued on a market-consistent basis. Some assets, such as subordinated loans and certain insurance policies, however, may not have a liquid market and here the managers/trustees of the IORP should have the ability (taking due account of the advice of their advisers) to adopt a valuation basis that they consider appropriate, subject to the oversight of the national regulator.	Noted
221.	OPSG (EIOPA Occupational Pensions Stakeholder Group)	14.	See question 13	Noted
222.	AbA Arbeitsgemeinschaft für betriebliche Altersver	14.	We are of the view that the valuation of liabilities on a market consistent basis is inappropriate for IORPs as is the valuation based on the concept of transfer value. The valuation of liabilities needs to accommodate the fact that	Noted

			the purpose of an IORP is to finance long-term commitments by taking advantage of long-run asset returns. If this cannot be done using long-term valuation assumptions, then the whole purpose of an IORP and its ability to capture long-run returns is put into question. We disagree that the transfer value concept has a valid theoretical basis. In practice there is no market for pension liabilities. And in addition we believe that there should be no market. Even the theoretical basis is flawed, as IORPs are designed to engage in intergenerational risk-sharing. This core purpose of an IORP cannot be achieved if it must at all times cover the transfer value of existing liabilities. In the event of a change of ownership of the plan sponsor, it is up to the acquiring company to decide whether they want to be compensated for an amount that would represent the transfer value. In our opinion, there is no need to anticipate a change of ownership in advance, as the frequency of this event happening is very low. Locking away valuable investment capital in low interest bearing securities for this purpose would be a very inefficient use of capital.	
223.	ABVAKABO FNV	14.	We agree that no reference should be made to the transfer value. Liabilities should be valued in a market consistent way. This is not necessarily the same as the transfer value, since the concept of transfer is not fully applicable to IORPs in the same way as this is used for insurance companies. Where insurance companies always need to take into account the possibility of a forced transfer in case of insolvency, IORPs do not have this threat. We also especially agree with the point made that the transfer value for a pension contract would differ in case the liabilities would be transferred to an insurer on the one hand or to another IORP on the other hand. This makes the concept of transfer value unclear and therefore ineffective. Since the two	Noted

			options offered in option 1 contain the most flexibility, we prefer option 1	
224.	AEIP	14.	57. AEIP agrees with option 1. Reference to transfer value is not appropriate 58. Liabilities that are valued in a market consistent manner are not necessarily equal to a transfer value. Where insurance companies always need to take into account the possibility of a forced transfer in case of insolvency, this is not the case for IORPs. Also the transfer value might differ in case the transfer would go to an insurance company or to another IORP. 59. AEIP wants to stress that a mark-to-market approach for pension liabilities may be inappropriate. Currently there are almost no markets for pension liabilities in continental Europe. All liabilities have to be marked against a certain model. But even the asset side suffers under fair value accounting: pension liabilities are very long-lasting. The average duration of a pension fund may well exceed 20 years. To replicate these liabilities with an assets portfolio that matches the liability structure, huge parts of the assets must have durations longer then 15, 20 or even 30 years. There are almost no fixed income assets with this duration available on the capital markets. IORP's are unable to achieve a matched asset liability structure. Therefore the high duration of the liability side with the asset liability mismatch drives risk and volatility of the IORP's P&L. We repeat that if the whole financial industry turns to risk based supervision using the same type of harmonised standards, everyone might be forced to move in the same direction in periods of turmoil, creating procyclical behavior. This creates a huge systemic risk.	Noted
225.	AFPEN (France)	14.	88. In AFPENs opinion EIOPA has correctly identified the	Noted

			strong drawbacks which are connected to the transfer principle for valuating liabilities (9.3.6.). Because of the involvement of the sponsoring undertaking (financial guarantee due to social and labor law) the concept of transfer has no conceptual meaning and is according to AFPENs consideration not the appropriate starting principle for valuing liabilities. In addition AFPEN does not see any reason to use the transfer principle as a theoretical or "intellectual concept" as stated by EIOPA (9.3.7.). If a concept is not appropriate, not related to real conditions and without practical relevance why then use it? 89. But AFPEN also is critical to the concept of market-consistent valuation. As the occupational pen-sions organize intergenerational risk sharing and because of the long-run response possibility, there is no necessity to hold financial assets at all times measured at market value. The same holds for a theoretical liquidation of assets and liabilities: A disposal to another IORP or an insurance company is virtual inexistent and alien to the system of occupational pensions in the public sector and makes no conceptual sense because of the commitment of the sponsoring undertaking. Hence also the concept of market-consistent valuation of liabilities and technical provisions is irrelevant and useless. 90. Furthermore the "risk free" interest rate term structure is highly problematic for practical reasons: The very concept of such risk free interest rates must be doubted with respect to the volatility of capital markets and the dethronement of virtual all the former top-rated government bonds. But anyhow technical provisions would be calculated with these synthetically constructed long-term interest rates and would in the case of IORPs expectedly lead to a sharp increase in technical provisions. Also the resulting volatility of long-term interest rates due to the construction process of the interest rate term	

			structure has disastrous effects for IORPs. 91. Last but not least AFPEN wants to advise against that a regulatory framework for IORPs sticks to the principle of market-consistent valuation for the very reason of consistency in valuation criteria and the harmonization of regulation! If the transfer principle and the market-consistency principle for the valuation of liabilities of IORPs is not appropriate and reasonable they should simply not be used! 92. AFPENs conclusion for the valuation of assets and liabilities: 93. All this culminates in the conclusion that the valuation criteria must not be separated from the very purpose a balance sheet is dedicated to: For IORPs the purpose of the solvency balancing cannot be the evaluation of a market value in case of disposal or transfer because of the specific structure and relation between employee, employer and pension fund. Delivering this kind of information for capital markets is therefore not relevant and using these valuation criteria for the control and governance of IORPs has disastrous consequences.	
228.	AMONIS OFP	14.	What is the stakeholders' view on the two options regarding the starting principle for valuing liabilities? Do stakeholders agree that such a principle for IORPs should contain no reference to transfer value? Option 1. We agree that there should be no reference to the concept of transfer value because we want to stress the importance to consider IORPs in a going concern view. Liabilities that are valued in a market consistent manner are not necessarily equal to transfer value. Where insurance companies always need to take into account the possibility of a forced	Noted

			transfer as an embedded option or in case of insolvency, this is not the case for IORPs. It is very unlikely that a new employer would take over the pension liabilities of another company so transfer value is without cause.	
229.	ANIA – Association of Italian Insurers	14.	As indicated in its response to question 12, the ANIA refrains from answering this question before the results of a carefully executed QIS are known. Such QIS should allow interested parties to make an informed decision.	Noted
230.	Association of British Insurers	14.	The ABI cannot support EIOPA's Option 2, where this implies that technical provisions should be discounted at a risk-free rate term structure without reflecting appropriately the illiquid and long-term nature of the liabilities and details of the valuation of the sponsor covenant. In the UK the stronger the sponsor covenant the more freedom trustees have to evaluate liabilities on the basis of prudently predicted investment returns. Using market consistent-valuation of liabilities without sufficient allowance for the sponsor covenant would place punitively high costs on UK Defined Benefit schemes.	Noted
231.	Association of Consulting Actuaries (UK)	14.	The concept of "transfer value" solvency, which assumes the need to aim for a world where a (distressed) sponsor can readily transfer its IORP in full to an insurer, is misplaced and is rejected. In practice, in the UK we have the Pension Protection Fund, meeting the requirement for insolvency protection under long-standing EU law (article 8 of the 1980 insolvency directive). This additional concept of transfer to an insurance company is inconsistent, unnecessary and overly onerous. (See 9.2.4 etc). Furthermore for decades it has been possible to transfer individuals, blocks of membership and indeed whole schemes from IORP to IORP. Portability is already enshrined in the UK. We would support an approach based on a transfer value only if this was the Level A in a Level A/Level B approach, where Level	Noted

			B was the target funding level and Level A was just provided as an item for disclosure.	
232.	Association of French Insurers (FFSA)	14.	28. The FFSA considers the evaluation of liabilities should be carried out on a market consistent basis. The reference to transfer value, as developed in the Solvency II Framework should apply to IORPs. 29. Insurance liabilities are very rarely transferred and still transfer value applies in the Solvency II regime. 30. The existence of a deep and liquid market for IORP's liabilities is not a necessary condition for the application of the concept of transfer value. The absence of such a market does not invalidate the application of the principle. 31. In a fair, transparent and members protective objective, same rules should apply to IORPs. Applying the same principles would contribute to a level playing field. The evaluation of liabilities based on market consistent approach would give a careful and objective view of future cash flows. 32. Consistency with the method of valuation of assets must be retained. The liability cash flows that cannot be replicated in a risk-free way using "deep and liquidly traded financial instruments" should be included in a risk margin to cover the cost of capital of those liabilities.	Partially agreed, option 2 selected
233.	Association of Pensioneer Trustees in Ireland	14.	See response to question 12.	Noted
234.	Assoprevidenza – Italian Association for supplemen	14.	We agree with option 1. Reference to transfer value is not appropriate; liabilities that are valued in a market consistent manner are not necessarily equal to a transfer value.	Noted

235.	Assuralia	14.	Cfr. Q. 12 The extremely short delay for responding to the technical consultation document has forced the members of Assuralia to prioritize and to focus on a number of questions. Our lack of response to this question must not be regarded as a lack of interest or opinion.	Noted
236.	Balfour Beatty plc	14.	What is the stakeholders' view on the two options regarding the starting principle for valuing liabilities? Do stakeholders agree that such a principle for IORPs should contain no reference to transfer value? Option 1 is to make no changes to the existing IORP directive. Technical provisions would then be calculated in a "prudent, reliable and objective" but not necessarily "market-consistent" manner. Option 2 would be to require technical provisions to be determined on a "market-consistent" basis. "market-consistent" is stated to mean risk-free replicating assets. As stated above in response to Q13, we do not agree that assets should be valued on a "market consistent" basis in all cases. Option 1 is consistent with this. We are not concerned about the possibility for regulatory arbitrage. There has been no notable regulatory arbitrage in the past because pension provision is about far more than just the 'prudence' used in setting technical provisions.	Noted

			Option 2 might be regarded as a reasonable approach if pension promises were of a contractual nature similar to insurance liabilities. However, this is not the case. Of greater concern is the focus on risk-free assets that option 2 implies. Recent market events have shown that no assets are truly risk-free. However, attempting to define technical provisions by reference to available yields on particular assets will drive market behaviour. We believe a market-consistency requirement for IORPs based on risk-free assets would also emphasise pro-cyclical behaviour in markets.	
237.	BARNETT WADDINGHAM LLP	14.	We would support Level B technical provisions (i.e. using an interest rate based on expected asset returns) as a funding target. Level A technical provisions should be used for disclosure only. The concept of transfers of liabilities to insurance companies here is redundant and unduly burdensome.	Noted
238.	BASF SE	14.	The valuation for technical provisions on a market-consistent basis does not fit the business model of IORPs, whose pension promises are untradable, neither by the insured, who are generally unable to surrender or cancel their promises, nor by other market participants, since IORPs are not selling promises to other insurers, in whole or in part. Transfers of individual contracts or small portfolios are the exception not the rule, and are subject to review in each individual case by the national supervisory authority, a review which extends to the IORP's ability to meet its obligations and the impact on existing contracts.	Noted, non-harmonised approach not within mandate

			Considering that there is no "market" for pension contracts held by IORPs, any valuation of those contracts based on the fair value method would be, at least initially, a purely theoretical exercise with no practical relevance. Because of the limited fungibility described above, pension promises are held by insured employees almost to the end of the duration ("held to maturity"). Considering any accounting standard, assets with similar characteristics (loans) are not measured based on (volatile) fair value. Hence, IORPs should also be measured in accordance with the technical business plan. Furthermore, we are of the opinion that the responsibility for setting the detailed rules for calculating the technical provisions should remain at Member State level. Since IORPs provide pensions subject to Social and Labour Law, harmonisation of rules should be left to Member States, also since Member States decide upon the security level of the benefits. These 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 Social and Labour Law and first pillar pensions, a step that is so far considered undesirable by most or all European parties.	
239.	Bayer AG	14.	What is the stakeholders' view on the two options regarding the starting principle for valuing liabilities? Do stakeholders agree that such a principle for IORPs should contain no reference to transfer value? We do not agree that a Solvency II type regime is appropriate or necessary for pension funds (reasons provided in answer to	Noted

			question 38). This means that we do not agree with the proposal to apply a 'transfer value' model for valuing liabilities, similar to that used for insurance companies, to IORPs. The consultation document clearly outlines the negative implications of this. In particular, the long-term nature of IORPs means that they share risks across generations. Therefore, having sufficient financial assets at all times to transfer their liabilities, is not necessary. Due to their long-term nature, IORPs have the possibility to use future contributions as assets or to reduce future benefits to lower liabilities. In addition, even in the event of a transfer e.g. as a consequence of an acquisition, it is up the deal-partners to evaluate and decide whether they want to be compensate the pensions-liabilities.	
240.	BDA Bundesvereinigung der Deutschen Arbeitgeberver	14.	What is the stakeholders view on the two options regarding the starting principle for valuing liabilities? Do stakeholders agree that such a principle for IORPs should contain no reference to transfer value? 4. We do not agree that a Solvency II type regime is appropriate or necessary for pension funds (reasons provided in answer to question 38). This means that we do not agree with the proposal to apply a 'transfer value' model for valuing liabilities, similar to that used for insurance companies, to IORPs. The consultation document clearly outlines the negative implications of this. In particular, the long-term nature of IORPs means that they share risks across generations. Therefore, having sufficient financial assets at all times to transfer their liabilities, is not necessary. Due to their long-term nature, IORPs have the possibility to use future contributions as assets or to reduce future benefits to lower liabilities. In addition, even in the event of a transfer e.g. as a consequence of an acquisition, it is	Noted

			up the deal-partners to evaluate and decide whether they want to be compensate the pensions-liabilities.	
241.	Belgian Association of Pension Institutions (BVPI-	14.	What is the stakeholders' view on the two options regarding the starting principle for valuing liabilities? Do stakeholders agree that such a principle for IORPs should contain no reference to transfer value? Option 1. We agree that there should be no reference to the concept of transfer value because we want to stress the importance to consider IORPs thru an on-going-concern approach. Liabilities that are valuated in a market consistent manner are not necessarily equal to a transfer value. Where insurance companies always need to take into account the possibility of a forced transfer in case of insolvency, this is not the case for IORPs. Also the transfer value of pension scheme will be different in case the transfer would go to an insurance company or to another IORP.	Noted
242.	BNP Paribas Cardif	14.	BNP Paribas Cardif considers the evaluation of liabilities should be carried out on a market consistent basis. The reference to transfer value, as developed in the Solvency II Framework should apply to IORPs. Insurance liabilities are very rarely transferred and still transfer value applies in the Solvency II regime. The existence of a deep and liquid market for IORP's liabilities is not a necessary condition for the application of the concept of transfer value. The absence of such a market does not invalidate the application of the principle.	Partially agreed, option 2 selected

			In a fair, transparent and members protective objective, same rules should apply to IORPs. Applying the same principles would contribute to a level playing field. The evaluation of liabilities based on market consistent approach would give a careful and objective view of future cash flows. Consistency with the method of valuation of assets must be retained. The liability cash flows that cannot be replicated in a risk-free way using "deep and liquidly traded financial instruments" should be included in a risk margin to cover the cost of capital of those liabilities.	
243.	Bosch Pensionsfonds AG	14.	We strongly prefer Option 1 - to leave the IORP Directive unchanged with regards to the starting principle for technical provisions: an "adequate amount of liabilities" should be established, "corresponding to the financial commitments which arise out of their portfolio of existing pension contracts". We agree that the concept of transfer value is - for the reasons already stated in EIOPA's response - not a suitable concept for IORPs.	Noted
244.	Bosch-Group	14.	We strongly prefer Option 1 - to leave the IORP Directive unchanged with regards to the starting principle for technical provisions: an "adequate amount of liabilities" should be established, "corresponding to the financial commitments which arise out of their portfolio of existing pension contracts". We agree that the concept of transfer value is - for the reasons already stated in EIOPA's response - not a suitable concept for IORPs.	Noted

246.	BRITISH PRIVATE EQUITY AND VENTURE CAPITAL ASSOCIA	14.		
247.	BT Group plc	14.	What is the stakeholders' view on the two options regarding the starting principle for valuing liabilities? Do stakeholders agree that such a principle for IORPs should contain no reference to transfer value? We agree with EIOPA that there should be no reference to transfer values within the IORP Directive. A discontinuance valuation is inappropriate for IORPS that have solvent employers providing ongoing support. In addition, we do not believe that 'market-consistent' in the context of liabilities should be interpreted to mean 'risk-free'. The discount rates should be selected to suit the requirements of the fund and discussed with actuaries and auditors, who are best placed to assess the specific risk profile of the scheme. We therefore prefer Option 1, which is to leave the IORP directive unchanged. Importantly, the term 'risk-free' is undefined, with the selection of a risk-free rate having recently become much harder, as the assumption that sovereign debt represents the lowest risk may no longer be true in many countries. It may be that schemes invested in corporate bonds are exposed to lower risk that those holding the sovereign debt of many countries.	Noted
248.	BT Pension Scheme Management Ltd	14.	We favour Option 1. We believe that the arguments laid out in the paper are the right ones and are strongly in favour of not applying transfer values to liabilities for all IORPs: essentially,	Noted

			applying such values would imply that schemes should always be funded sufficient to be liquidated, a high hurdle (and an additional economic burden) at times of financial dislocation which would mark a failure to recognise the inter-generational nature of IORP saving and the availability of sponsor covenants and the like. When the whole purpose of IORPs is to spread the cost burden of pension liabilities over time, it seems absurdly inappropriate to require them to be payable in full at any given moment, which is the implication of using a liquidation valuation of the liabilities.	
249.	Bundesarbeitgeberverband Chemie e.V. (BAVC)	14.	BAVC does not agree that a Solvency II type regime is appropriate or necessary for pension funds (reasons provided in answer to question 38). This means that we do not agree with the proposal to apply a 'transfer value' model for valuing liabilities, similar to that used for insurance companies, to IORPs. The consultation document clearly outlines the negative implications of this. In particular, the long-term nature of IORPs means that they share risks across generations. Therefore, having sufficient financial assets at all times to transfer their liabilities, is not necessary. Due to their long-term nature, IORPs have the possibility to use future contributions as assets or to reduce future benefits to lower liabilities. In addition, even in the event of a transfer e.g. as a consequence of an acquisition, it is up the deal-partners to evaluate and decide whether they want to be compensate the pensions-liabilities.	Noted
250.	BUSINESSEUROPE	14.	BUSINESSEUROPE does not agree that a Solvency II type regime is appropriate or necessary for pension funds (reasons provided in answer to question 38). This means that we do not agree with the proposal to apply a 'transfer value' model for valuing liabilities, similar to that used for insurance companies, to IORPs. The consultation document clearly outlines the negative implications of this. In particular, the long-term nature	Noted

			of IORPs means that they share risks across generations. Therefore, having sufficient financial assets at all times to transfer their liabilities, is not necessary. Due to their long-term nature, IORPs have the possibility to use future contributions as assets or to reduce future benefits to lower liabilities. In addition, the meaning of 'transfer value' differs across Member States. Therefore, using the principle of transfer value to value liabilities would be overly complex.	
251.	BVI Bundesverband Investment und Asset Management	14.	We would like to stress that the nature of the IORP cannot be compared to the insurance activity as far as liabilities valuation and technical provisions are concerned. Thus, the concept of transfer value should not be applicable for IORPs, which have to be managed on an on-going basis not on a liquidation basis. The situation is different for insurance companies which have to provide other type of guarantees, as their main activity is risk acceptance; their business is to profit from the price of the risk. Furthermore, whereas insurance companies always need to take into account the possibility of a forced transfer in case of insolvency, IORPs do not have this forced threat	Noted
252.	CEA	14.	As indicated in its response to question 12, the CEA refrains from answering this question before the results of a carefully executed QIS are known. Such QIS should allow interested parties to make an informed decision.	Noted
253.	Charles CRONIN	14.	I do not agree that the liabilities of a scheme should be valued at their transfer value, for reasons related to my answer in question 13. That is the current yields on debt instruments are very much distorted by government policy. Further the duration of government yields does not generally match the duration of pension fund liabilities, except for mature schemes. Therefore	Noted

			my preference is to support option 1, to leave the IORP unchanged and not value liabilities at transfer value, with details developed in other Articles of the revised Directive, please note my answer to question 21 as a suggested methodology.	
254.	Chris Barnard	14.	I would support option 2, which would amend the current IORP Directive to state that the valuation of technical provisions should be done on a market-consistent basis. This is more objective and would ensure that the valuation of liabilities was consistent with the valuation of assets, which should also be market-consistent. See also my response to question 13. I accept a need for further discussion to address procyclicality.	Agreed, option 2 selected
255.	CMHF (Centrale van Middelbare en Hogere Functionar	14.	We agree that no reference should be made to the transfer value. Liabilities should be valued in a market consistent way. This is not necessarily the same as the transfer value, since the concept of transfer is not fully applicable to IORPs in the same way as this is used for insurance companies. Where insurance companies always need to take into account the possibility of a forced transfer in case of insolvency, IORPs do not have this threat. We also especially agree with the point made that the transfer value for a pension contract would differ in case the liabilities would be transferred to an insurer on the one hand or to another IORP on the other hand. This makes the concept of transfer value unclear and therefore ineffective. Since the two options offered in option 1 contain the most flexibility, we prefer option 1	Noted
256.	CONFEDERATION OF BRITISH INDUSTRY (CBI)	14.	CBI members agree with EIOPA that a transfer value model is not appropriate for the supervision of IORPs	Noted

			CBI members do not agree that a Solvency II-style funding regime is appropriate or necessary for pension funds. This means that we do not agree with the proposal to apply a 'transfer value' model for valualing liabilities, similar to that used for insurance companies, to IORPs. The consultation document clearly outlines the negative implications of this. In particular, the long-term nature of IORPs means that they share risks across generations. Therefore, having sufficient financial assets at all times to transfer their liabilities, is not necessary. Due to their long-term nature, IORPs have the possibility to use future contributions as assets or to reduce future benefits to lower liabilities. In addition, the meaning of 'transfer value' differs across Member States. Therefore, using the principle of transfer value to value liabilities would be overly complex.	
257.	De Unie (Vakorganisatie voor werk, inkomen en loop	14.	We agree that no reference should be made to the transfer value. Liabilities should be valued in a market consistent way. This is not necessarily the same as the transfer value, since the concept of transfer is not fully applicable to IORPs in the same way as this is used for insurance companies. Where insurance companies always need to take into account the possibility of a forced transfer in case of insolvency, IORPs do not have this threat. We also especially agree with the point made that the transfer value for a pension contract would differ in case the liabilities would be transferred to an insurer on the one hand or to another IORP on the other hand. This makes the concept of transfer value unclear and therefore ineffective. Since the two options offered in option 1 contain the most flexibility, we prefer option 1	Noted

258.	Derek Scott of D&L Scott	14.	The consultation discusses technical provisions (liabilities) and discount factors in some detail. In all but one of the options presented, future liabilities are discounted at a (near to) risk-free rate. Even within the option where a discount rate linked to the return on assets is mooted, this might be no more than a transitional measure; a risk-free rate would still be used to determine the 'big picture'. The implicit assumption that a risk-free rate is appropriate has not been proven and should not be accepted without evidence.	Noted
259.	Deutsche Post AG / Deutsche Post DHL	14.	11. We agree that no reference should be made to transfer value. The transfer value concept does not reflect the reality and purpose of an IORP at all. There isn't any need to anticipate a change of ownership in advance. In addition the transfer price may depend on whether e.g. the liability is transferred to an insurer or to another IORP. 12. We think that the insistence on market-based consistent valuations is misplaced. We also note that the term 'risk-free' is undefined, with the selection of a risk-free rate having recently become much harder, as the assumption that sovereign debt represents the lowest risk may no longer be true in many countries. It may be that schemes invested in corporate bonds are exposed to lower risk that those holding the sovereign debt of many countries.	Noted
260.	Deutsche Post Pensionsfonds AG	14.	12. We agree that no reference should be made to transfer value. The transfer value concept does not reflect the reality and purpose of an IORP at all. There isn't any need to anticipate a change of ownership in advance, as it happens with quite a low probability at all. In addition the transfer price may depend on whether e.g. the liability is transferred to an insurer or to another IORP.	Noted

			13. We think that the insistence on market-based consistent valuations is misplaced. We also note that the term 'risk-free' is undefined, with the selection of a risk-free rate having recently become much harder, as the assumption that sovereign debt represents the lowest risk may no longer be true in many countries. It may be that schemes invested in corporate bonds are exposed to lower risk than those holding the sovereign debt of many countries.	
261.	DHL NL (Netherlands)	14.	We are the view that a valuation of liabilities on the concept of transfer value is inappropriate for IORP's. Liabilities could possibly be valued in a market consistent way.The concept of transfer is not applicable to IORPs in the same way as this is for insurance companies. Where insurance companies always need to take into account the possibility of a forced transfer in case of insolvency, IORPs do not have this threat. We especially agree with the point made that the transfer value for a pension contract would differ in case the liabilities would be transferred to an insurer on the one hand or to another IORP on the other hand. This makes the concept of transfer value ineffective.	Noted
262.	DHL Services Limited	14.	What is the stakeholders' view on the two options regarding the starting principle for valuing liabilities? Do stakeholders agree that such a principle for IORPs should contain no reference to transfer value? We agree that any valuation of liabilities should contain no reference to a transfer value, as this is a different concept, what may be a fair transfer value, is not necessarily a prudent valuation of the liabilities.	Noted

			In addition, we do not believe that 'market-consistent' in the context of liabilities should be interpreted to mean 'risk-free'. The discount rates should be selected to suit the requirements of the fund and discussed with actuaries and auditors, who are best placed to assess the specific risk profile of the scheme. We therefore prefer Option 1, which is to leave the IORP directive unchanged. We also note that the term 'risk-free' is undefined, with the selection of a risk-free rate having recently become much harder, as the assumption that sovereign debt represents the lowest risk may no longer be true in many countries. It may be that schemes invested in corporate bonds are exposed to lower risk that those holding the sovereign debt of many countries.	
263.	DHL Trustees Limited	14.	What is the stakeholders' view on the two options regarding the starting principle for valuing liabilities? Do stakeholders agree that such a principle for IORPs should contain no reference to transfer value? We agree that any valuation of liabilities should contain no reference to a transfer value, as this is a different concept, what may be a fair transfer value, is not necessarily a prudent valuation of the liabilities. In addition, we do not believe that 'market-consistent' in the context of liabilities should be interpreted to mean 'risk-free'.	Noted

			The discount rates should be selected to suit the requirements of the fund and discussed with actuaries and auditors, who are best placed to assess the specific risk profile of the scheme. We therefore prefer Option 1, which is to leave the IORP directive unchanged. We also note that the term 'risk-free' is undefined, with the selection of a risk-free rate having recently become much harder, as the assumption that sovereign debt represents the lowest risk may no longer be true in many countries. It may be that schemes invested in corporate bonds are exposed to lower risk that those holding the sovereign debt of many countries.	
264.	Direction Générale du Trésor, Ministère des financ	14.	We think that the reference to transfer value is a good way of achieving consistency between IORPs on the one hand, and between IORPs and other stakeholders (such as insurance undertakings) on the other hand. Therefore, we are in favour of keeping the reference to transfer value.	Noted
265.	Ecie vie	14.	The reference to Solvency II transfer value should apply to all IORPs in order to contribute to a level playing field.	Noted
266.	EFI (European Federation of Investors)	14.	In the same way liabilities should be evaluated, not on a makket consistent basis but on a basis consistent with the evaluation of the assets.	Noted
267.	European Association of Public Sector Pension Inst	14.	What is the stakeholders' view on the two options regarding the starting principle for valuing liabilities? Do stakeholders agree that such a principle for IORPs should contain no reference to transfer value?	Noted

			In EAPSPI's opinion EIOPA has correctly identified the major drawbacks which are connected with the transfer principle for valuing liabilities (9.3.6.). In particular EAPSPI points out that within the German occupational pension arrangement in the public sector the concept of transfer as a concept makes no sense because pension contracts are not traded and there exists no market for pension contracts and therefore no "market value". Because of the involvement of the sponsoring undertaking (financial guarantee due to social and labor law) the concept of transfer has no conceptual meaning and is not the appropriate starting principle for valuing liabilities. In addition EAPSPI does not see any reason to use the transfer principle as a theoretical or "intellectual concept" as stated by EIOPA (9.3.7.). If a concept is not appropriate, not related to real conditions and without practical relevance why then use it? But EAPSPI also is critical to the concept of market-consistent valuation. As the occupational pensions organize intergenerational risk sharing and because of the long-run response possibility, there is no necessity to hold financial assets at all times measured at market value. The same holds for a theoretical liquidation of assets and liabilities: A disposal to another IORP or an insurance company is virtually inexistent and alien to the system of occupational pensions in the public sector and makes no conceptual sense because of the commitment of the sponsoring undertaking. Hence also the concept of market-consistent valuation of liabilities and technical provisions is irrelevant and useless. Furthermore the "risk free" interest rate term structure is highly problematic for practical reasons: The very concept of such risk	

			free interest rates must be doubted with respect to the volatility of capital markets and the dethronement of virtually all the former top-rated government bonds. But anyhow technical provisions would be calculated with these synthetically constructed long-term interest rates and would in the case of IORPs expectedly lead to a sharp increase in technical provisions. Also the resulting volatility of long-term interest rates due to the construction process of the interest rate term structure would have negative effects for IORPs. Last but not least EAPSPI wants to advise against a regulatory framework for IORPs sticking to the principle of market-consistent valuation for the very reason of consistency in valuation criteria and the harmonization of regulation. If the transfer principle and the market-consistency principle for the valuation of liabilities of IORPs is not appropriate and reasonable they should simply not be used. EAPSPIs conclusion for the valuation of assets and liabilities (#13 and #14): All this culminates in the conclusion that the valuation criteria must not be separated from the very purpose a balance sheet is dedicated to: For IORPs the purpose of the solvency balancing cannot be the evaluation of a market value in case of disposal or transfer because of the specific structure and relation between employee, employer and pension fund. Delivering this kind of information for capital markets is therefore not relevant and using these valuation criteria for the control and governance of IORPs has very negative consequences.	

268.	European Central Bank, Directorate General Statist	14.	Irrespective of the appropriate valuation of liabilities for supervisory purposes, for the purpose of ESCB statistics a valuation of liabilities at market values is required.	Noted
269.	European Federation for Retirement Provision (EFRP	14.	The EFRP prefers option 1 and agrees with EIOPA that no reference should be made to the transfer value, since the concept of transfer is not fully applicable to IORPs in the same way as this is used for insurance companies. Where insurance companies always need to take into account the possibility of a forced transfer in case of insolvency, IORPs do not have this forced threat. The EFRP also especially agrees with the point made that the transfer value for a pension contract would differ in case the liabilities would be transferred to an insurer or to another IORP. This makes the concept of transfer value unclear and therefore ineffective.	Noted
270.	European Fund and Asset Management Association (EF	14.	We believe that the valuation basis is an area that is best commented on by actuaries and auditors, but recognise that the way liabilities are valued will have a direct impact on the approach for investing assets. We believe that if inappropriately applied, the impact could be to encourage more short termism at the expense of growing long term value. We would suggest that transparency and clarity are key criteria and that applying one standard to multiple types of IORP may not be feasible nor desirable. We also would like to stress that the nature of the IORP cannot be compared to the insurance activity as far as liabilities valuation and technical provisions are concerned. Article 75(1)(b) of the Directive 2009/138/EC, establishes that: "liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in	Noted

			an arm's length transaction." The concept of transfer value should not be applicable for IORPs, which have to be managed on an on-going basis not on a liquidation basis. The situation is different for insurance companies which have to provide other type of guarantees, as their main activity is risk acceptance; their business is to profit from the price of the risk. As they operate in an open market and sell life-saving products, the consumer need to have protection.	
271.	European Metalworkers Federation	14.	We agree that no reference should be made to the transfer value. Liabilities should be valued in a 'market consistent' way. This is not necessarily the same as the transfer value, since the concept of transfer is not fully applicable to IORPs in the same way as this is used for insurance companies. Where insurance companies always need to take into account the possibility of a forced transfer in case of insolvency, IORPs do not face this threat. We also especially agree with the point made that the transfer value for a pension contract would differ in the event the liabilities are transferred to an insurer on the one hand or to another IORP on the other hand. This makes the concept of transfer value unclear and therefore ineffective. Since the two options offered in option 1 contain the most flexibility, we prefer option 1.	Noted
272.	European Mine, Chemical and Energy workers' Fede	14.	We agree that no reference should be made to the transfer value. Liabilities should be valued in a 'market consistent' way. This is not necessarily the same as the transfer value, since the concept of transfer is not fully applicable to IORPs in the same way as this is used for insurance companies. Where insurance	Noted

			companies always need to take into account the possibility of a forced transfer in case of insolvency, IORPs do not face this threat. We also especially agree with the point made that the transfer value for a pension contract would differ in the event the liabilities are transferred to an insurer on the one hand or to another IORP on the other hand. This makes the concept of transfer value unclear and therefore ineffective. Since the two options offered in option 1 contain the most flexibility, we prefer option 1.	
273.	FAIDER (Fédération des Associations Indépendantes	14.	In the same way liabilities should be evaluated, not on a makket consistent basis but on a basis consistent with the evaluation of the assets.	Noted
274.	Federation of the Dutch Pension Funds	14.	We agree that no reference should be made to the transfer value. Liabilities should be valued in a market consistent way. This is not necessarily the same as the transfer value, since the concept of transfer is not fully applicable to IORPs in the same way as this is used for insurance companies. Where insurance companies always need to take into account the possibility of a forced transfer in case of insolvency, IORPs do not have this threat. We also especially agree with the point made that the transfer value for a pension contract would differ in case the liabilities would be transferred to an insurer on the one hand or to another IORP on the other hand. This makes the concept of transfer value unclear and therefore ineffective. Since the two options offered in option 1 contain the most flexibility, we prefer option 1	Noted
275.	Financial Reporting Council	14.	We consider that liabilities should be measured as the fulfilment value of the expected cash flows. This is consistent with the IASB's proposal for measuring the value of insurance contract liabilities; it is also more closely related to the accounting measure of pension liabilities in IAS 19. It reflects the way IORPs	Noted

			are managed. In our experience most UK IORPs are managed in the expectation of meeting their liabilities to pay retirement benefits as they fall due. Using a fulfilment value avoids the need to estimate what a market-based transfer value might be in a market which is neither deep nor liquid. We do not consider that a market consistent approach is appropriate when considering the measurement of pension scheme liabilities. It would require IORPs to estimate the cash flows applicable to market participants as well as the cash flows that apply to the IORP itself as it fulfils its obligations. We note that this has proved an issue in considering technical provisions in respect of expenses for insurers under the Solvency II directive. However, where the IORP's cash flows are dependent on market variables then these cash flows should be consistent with observable market prices. We support option 1 and suggest that the IORP is left unchanged with regard to the transfer value principle. We do not support option 2.	
276.	FNMF – Fédération Nationale de la Mutualité França	14.	As a consistent view with point 13, FNMF supports a valuation of liabilities based on transfert value principles.	Noted
277.	FNV Bondgenoten	14.	We agree that no reference should be made to the transfer value. Liabilities should be valued in a market consistent way. This is not necessarily the same as the transfer value, since the concept of transfer is not fully applicable to IORPs in the same way as this is used for insurance companies. Where insurance companies always need to take into account the possibility of a forced transfer in case of insolvency, IORPs do not have this threat. We also especially agree with the point made that the transfer value for a pension contract would differ in case the	Noted

			liabilities would be transferred to an insurer on the one hand or to another IORP on the other hand. This makes the concept of transfer value unclear and therefore ineffective. Since the two options offered in option 1 contain the most flexibility, we prefer option 1	
278.	Generali vie	14.	The reference to Solvency II transfer value should apply to all IORPs in order to contribute to a level playing field.	Noted
279.	German Institute of Pension Actuaries (IVS\32\45\3	14.	Only under exceptional circumstances do German IORPs have the option to transfer contracts to a third party. In contrast to life insurers and in line with an IORP's business model, a market value of their liabilities does not exist. EIOPA's proposal is thus an artificial construction. The central premise of selling both assets and liabilities bears no link to reality and is inappropriate in the context of an IORP's business model. Hence, there cannot be a requirement for additional risk capital due to a mark-to-market valuation.	Noted
280.	GESAMTMETALL - Federation of German employer	14.	What is the stakeholders view on the two options regarding the starting principle for valuing liabilities? Do stakeholders agree that such a principle for IORPs should contain no reference to transfer value? 4. GESAMTMETALL does not agree that a Solvency II type regime is appropriate or necessary for pension funds (reasons provided in answer to question 38). This means that we do not agree with the proposal to apply a 'transfer value' model for valuing liabilities, similar to that used for insurance companies, to IORPs. The consultation document clearly outlines the	Noted

			negative implications of this. In particular, the long-term nature of IORPs means that they share risks across generations. 5. Therefore, having sufficient financial assets at all times to transfer their liabilities, is not necessary. Due to their long-term nature, IORPs have the possibility to use future contributions as assets or to reduce future benefits to lower liabilities. In addition, even in the event of a transfer e.g. as a consequence of an acquisition, it is up the deal-partners to evaluate and decide whether they want to be compensate the pensions-liabilities. 6.	
281.	Groupe Consultatif Actuariel Européen.	14.	The concept of a transfer to a third party exists in some Member States, but not all, and where it does exist there may be practical limitations for large IORPs. The market consistency principle can, however, be applied (subject to comments made in our answer to Q17). In Solvency II, the concept of a transfer to a third party (and the one year time scale) appears to have arisen from considerations of the practical courses of action open to insurance regulators in the event of a breach of solvency rules. We would suggest that the starting point for pensions should be to consider what the equivalent actions would be for IORPs (especially IORPs whose holistic balance sheet is not fully in balance). The outcome of such consideration should, in our view, inform not just the overall structure and components of the holistic balance sheet, but also the detailed questions regarding the valuation of the liabilities and the other support mechanisms. According to a minority view of one of our member associations, the concept of transfer to a third party was a conceptually useful tool in Solvency 2 to simulate a market consistent valuation of the liabilities. As such, it has enabled regulators to split the risk	Agreed, option 2 selected

			deviation reserve between risk margin and SCR and give a market valuation for the risk margin. If this idea is useful for valuing the liabilities of IORPs, it should not be omitted.	
282.	Groupement Français des Bancassureurs	14.	FBIA considers the evaluation of liabilities should be carried out on a market consistent basis. The reference to transfer value, as developed in the Solvency II Framework should apply to IORPs. Insurance liabilities are very rarely transferred and still transfer value applies in the Solvency II regime. The existence of a deep and liquid market for IORP's liabilities is not a necessary condition for the application of the concept of transfer value. The absence of such a market does not invalidate the application of the principle. In a fair, transparent and members protective objective, same rules should apply to IORPs. Applying the same principles would contribute to a level playing field. The evaluation of liabilities based on market consistent approach would give a careful and objective view of future cash flows. Consistency with the method of valuation of assets must be retained. The liability cash flows that cannot be replicated in a risk-free way using "deep and liquidly traded financial instruments" should be included in a risk margin to cover the cost of capital of those liabilities.	Partially agreed, option 2 selected
283.	PMT-PME-Mn Services	14.	We agree that no reference should be made to the transfer value. Liabilities should be valued in a market consistent way. This is not necessarily the same as the transfer value, since the concept of transfer is not fully applicable to IORPs in the same way as this is used for insurance companies. Where insurance	Noted

			companies always need to take into account the possibility of a forced transfer in case of insolvency, IORPs do not have this threat. We also especially agree with the point made that the transfer value for a pension contract would differ in case the liabilities would be transferred to an insurer on the one hand or to another IORP on the other hand. This makes the concept of transfer value unclear and therefore ineffective. Since the two options offered in option 1 contain the most flexibility, we prefer option 1	
284.	HM Treasury/Department for Work and Pensions	14.	The starting point for calculation of technical provisions under Solvency II is not appropriate for occupational pension funds. The Solvency II approach is based on the premise that liabilities can be transferred to a third party without changing those liabilities. However, the liabilities of an occupational pension scheme are simply not tradeable without alterning the pension. Unlike transfers between insurance books, if you transfer a DB pension through a buy-out mechanism, you fundamentally alter the nature of the pension promise. This is because a DB pension is not a pensions saving scheme that happens to be run by the employer for the employee: instead it is part of the "employment" package, which incentivises the employee to have a long-term relationship with the employer. This relationship is something that needs to be fully recognised in the solvency requirements as a critical feature. A transfer of liabilities away from the sponsor's pension fund would alter the offer by: ☐ Fundamentally altering the" pension promise". In the UK, although the IORP is the mechanism that delivers the benefit, the obligation to pay remains on the employer and the "pension promise" is part of the employment relationship, not a contract between the IORP and the member. ☐ Weakening the employer/employee relationship	Noted

			(companies that do DB schemes best are those that have a long-term view. If you break the DB link by insisting that DB schemes are just another savings scheme, like any other insurance, you sever that whole set of incentives and long-term mindset); ☐ And most importantly, by fundamentally changing the promise by changing the legal basis on which the it is based. Sponsored schemes are governed by domestic legislation setting out the conditions, level of return, annual uprating etc which inform the level of liabilities. These conditions can be amended by amending domestic legislation, meaning that liabilities of IOPRs with a sponsor are, substantially, a function of domestic legislation, and are not fixed in the same way as the liabilities under a contract For these reasons, the concept of transfer value cannot be applied – at least to sponsored IORPs. However, without a notional market (ie. potential to transfer to a third party) the idea of a market consistent valuation is empty. The consultation does not offer an alternative view of market consistent valuation – instead implying that it is synonymous with the use of a fixed, risk-free discount rate. However, this is circular, and simply begs the question. We are therefore strongly of the view that Option 2 is not appropriate, and that Option 1 is the only option that should be pursued.	
285.	IBM Deutschland Pensionskasse VVaG and IBM Deutsch	14.	IBM Germany PK/PF does not agree that a solvency II type regime is appropriate or necessary for pension funds (reasons provided in answer to question 38). This means that we do not agree with the proposal to apply a ‘transfer value’ model for valualing liabilities, similar to that used for insurance companies, to IORPs. The consultation document clearly outlines the negative implications of this. In particular, the long-term nature	Noted

			of IORPs means that they share risks across generations. Therefore, having sufficient financial assets at all times to transfer their liabilities, is not necessary. Due to their long-term nature, IORPs have the possibility to use future contributions as assets or to reduce future benefits to lower liabilities. In addition, the meaning of 'transfer value' differs across Member States. Therefore, using the principle of transfer value to value liabilities would be overly complex.	
286.	Institute and Faculty of Actuaries (UK)	14.	There is no standard basis for transfers between sponsor-backed IORPs. In the UK we do have the concept of transfer to insurance companies but this is at full buy-out costs and arguably does not apply to the largest IORPs, owing to lack of market capacity. Using the concept of risk-free rates brings up the question of what is really risk-free? Should it be the higher of swap or government bond rates? Should it allow for liquidity premiums of investible high-quality bonds (as is being proposed for insurers' annuity business)? If the objectives of consistency and harmonisation are to be achieved, considerable work including detailed impact assessments will be required to agree on risk-free measures and allowances for illiquidity etc.	Noted
287.	KPMG LLP (UK)	14.	We would see great difficulty in determining an appropriate standard basis for transferring liabilities between IORPs. However the concept of a transfer to a regulated insurance company should not be ruled out as an option.	Noted
288.	Le cercle des épargnants	14.	The reference to Solvency II transfer value should apply to all IORPs in order to contribute to a level playing field.	Noted
290.	Mercer	14.	Our answer to this question depends on how the liability value	Noted

			will be used by regulatory authorities. EIOPA's draft advice is not clear what the first Option entails. We assume it would result in Article 15(1) and 15(2) being retained. We consider that the requirement in the IORP Directive to establish technical provisions (Article 15) is adequate: it provides for a principles based approach that enables the scheme to take into account all matters relevant to it (including, for example, the cost of transferring liabilities to an insurance company) in determining a prudent approach to the calculation. Option 2, however, requires a market consistent approach. As discussed in our answer to question 13, if this is construed in terms of a transfer to another IORP, we believe this is a false concept in relation to pension scheme liabilities. Our view is that Option 1 is more meaningful in the context of occupational pension provision and so is preferable, but that some of the underlying concepts relating to the measurement of technical provisions, as set out in the Solvency II Directive, could be relevant to IORPs and add value to the valuation process. To achieve this, if Article 15 is retained unamended, at the implementation stage EIOPA and the supervisory authorities of individual member states might consider that more specific guidance is needed. For example, there could be guidance about	

			how schemes should 'take into account' their underlying investments in the context of the future payment of the accrued liabilities. This could set out the extent to which IORPs should consider the risk profile of their assets and liabilities and the extent to which they are unmatched, in the context of determining whether additional margins should be held to reduce their risk profile and then quantifying those margins. There could also be help for schemes to interpret what is meant by 'prudence'. However, prudence is not an immutable concept: that is, the outcome of following a prudent decision making process will differ, depending on circumstances. Thus, having a principle that requires a prudent approach but then mandating a particular measure for certain aspects of the approach could result in outcomes that could be considered imprudent, given the circumstances of the scheme and its sponsoring employer. Where technical provisions are to be used to determine minimum levels of financial assets held by the IORP to meet the scheme's liabilities, we consider that the amount of risk that can be taken into account in determining that measure should depend on the extent to which the members' security relies on the employer covenant. Where the employer covenant is not available as a real or contingent asset, then it is reasonable to target higher levels of financial assets than cases where the employer covenant is available to the IORP. Nonetheless, we agree that it is important for IORPs to understand how the price of purchasing matching assets might be different from their measure of the financial assets that they	

			need to hold to cover a (risk related) value of technical provisions. The use of Value at Risk (VaR) techniques, for example to indicate the risk margins that might be needed to protect members from certain worst case scenarios, or just the effects of having a mis-matched investment strategy, would also add to some IORPs' risk management capabilities, although we do not feel it is necessarily proportionate to mandate these approaches in all cases.	
291.	MHP (Vakcentrale voor Middengroepen en Hoger Perso	14.	We agree that no reference should be made to the transfer value. Liabilities should be valued in a market consistent way. This is not necessarily the same as the transfer value, since the concept of transfer is not fully applicable to IORPs in the same way as this is used for insurance companies. Where insurance companies always need to take into account the possibility of a forced transfer in case of insolvency, IORPs do not have this threat. We also especially agree with the point made that the transfer value for a pension contract would differ in case the liabilities would be transferred to an insurer on the one hand or to another IORP on the other hand. This makes the concept of transfer value unclear and therefore ineffective. Since the two options offered in option 1 contain the most flexibility, we prefer option 1	Noted
293.	National Association of Pension Funds (NAPF)	14.	What is the stakeholders' view on the two options regarding the starting principle for valuing liabilities? Do stakeholders agree that such a principle for IORPs should contain no reference to transfer value? The valuation of liabilities on a market-consistent basis is inappropriate for IORPs.	Noted

			The long-term nature of IORPs means that they should be able to make long-term assumptions about valuations in order to help them to capture returns over the long term. With these points in mind, the NAPF prefers Option 1.	
295.	NORDMETALL, Verband der Metall- und Elektroindustr	14.	What is the stakeholders view on the two options regarding the starting principle for valuing liabilities? Do stakeholders agree that such a principle for IORPs should contain no reference to transfer value? 4. We do not agree that a Solvency II type regime is appropriate or necessary for pension funds (reasons provided in answer to question 38). This means that we do not agree with the proposal to apply a 'transfer value' model for valuing liabilities, similar to that used for insurance companies, to IORPs. The consultation document clearly outlines the negative implications of this. In particular, the long-term nature of IORPs means that they share risks across generations. Therefore, having sufficient financial assets at all times to transfer their liabilities, is not necessary. Due to their long-term nature, IORPs have the possibility to use future contributions as assets or to reduce future benefits to lower liabilities. In addition, even in the event of a transfer e.g. as a consequence of an acquisition, it is up the deal-partners to evaluate and decide whether they want to be compensate the pensions-liabilities.	Noted

296.	Pan-European Insurance Forum (PEIF)	14.	(1) PEIF at this stage is reluctant to take an unconditional view. If the Solvency II approach is followed, the Option 2, the market consistent approach as a reference would seem preferable. However, care is needed with term structure and period. Nevertheless there should be consistency between IORPs and Life Insurers. Using Solvency II as a reference point here needs to be done with caution as it is not yet a completed regime. (2) Transfer value raises issues in the context of pensions. If it is not used it breaks the link to Solvency II. Using the transfer value method, without qualification that this could be discounted by the employer promise to some extent, raises enormous financial burdens on schemes as they would immediately have to be valued well in excess of the current value of the liabilities. PEIF companies believe that it is not possible to provide an unconditional answer at this stage.	Noted
297.	Pensioen Stichting Transport (Netherlands)	14.	We are the view that a valuation of liabilities on the concept of transfer value is inappropriate for IORP's. Liabilities could possibly be valued in a market consistent way.The concept of transfer is not applicable to IORPs in the same way as this is for insurance companies. Where insurance companies always need to take into account the possibility of a forced transfer in case of insolvency, IORPs do not have this threat. We especially agree with the point made that the transfer value for a pension contract would differ in case the liabilities would be transferred to an insurer on the one hand or to another IORP on the other hand. This makes the concept of transfer value ineffective.	Noted
298.	Pensioenfonds Zorg en	14.	We agree that no reference should be made to the transfer	Noted

	Welzijn (PFZW)		value. Liabilities should be valued in a market consistent way. This is not necessarily the same as the transfer value, since the concept of transfer is not fully applicable to IORPs in the same way as this is used for insurance companies. Where insurance companies always need to take into account the possibility of a forced transfer in case of insolvency, IORPs do not have this threat. We also especially agree with the point made that the transfer value for a pension contract would differ in case the liabilities would be transferred to an insurer on the one hand or to another IORP on the other hand. This makes the concept of transfer value unclear and therefor ineffective. As the two options offered in option 1 contain the most flexibility, we prefer option 1.	
299.	Predica	14.	Predica considers the evaluation of liabilities should be carried out on a market consistent basis. The reference to transfer value, as developed in the Solvency II Framework should apply to IORPs. Insurance liabilities are very rarely transferred and still transfer value applies in the Solvency II regime. The existence of a deep and liquid market for IORP's liabilities is not a necessary condition for the application of the concept of transfer value. The absence of such a market does not invalidate the application of the principle. In a fair, transparent and members protective objective, same rules should apply to IORPs. Applying the same principles would contribute to a level playing field. The evaluation of liabilities based on market consistent approach would give a careful and objective view of future cash flows. Consistency with the method of valuation of assets must be retained.	Partially agreed, option 2 selected

			The liability cash flows that cannot be replicated in a risk-free way using "deep and liquidly traded financial instruments" should be included in a risk margin to cover the cost of capital of those liabilities.	
300.	prof.dr. A.A.J. Pelsser HonFIA, Netspar & Maastric	14.	Choose option 2: Amend the current IORP Directive to state that the valuation of technical provisions should be done on a market-consistent basis.	Agreed, option 2 selected
301.	PTK (Sweden)	14.	No reference should be made to the transfer value, since the concept of transfer is not fully applicable to IORPs in the same way as this is used for insurance companies. Where insurance companies always need to take into account the possibility of a forced transfer in case of insolvency, IORPs do not have this forced threat. PTK also agrees with the point made that the transfer value for a pension contract would differ in case the liabilities would be transferred to an insurer or to another IORP. This makes the concept of transfer value unclear and therefore ineffective.	Noted
302.	Railways Pension Trustee Company Limited ("RPTCL	14.	RPTCL considers that liabilities should be measured as the value of the expected cash flows, on the basis that most IORPs are managed in the expectation of meeting their liabilities to pay retirement benefits as they fall due. Such an approach avoids the need to estimate what a market-based transfer value might be.	Noted
303.	RWE Pensionsfonds AG	14.	RWE agrees with Option 1: Leave the IORP unchanged with regards to the starting principle for technical provisions. No amendments necessary. As a transfer value always includes additional risk premia which	Noted

			might never be of importance for an "on-going" IORP, RWE agrees that the valuation should assume a transfer of liabilities does not take place.	
304.	Standard Life Plc	14.	We do not support a risk-free rate discounting methodology; such a change would be so significant for UK pension schemes given the current practise that the burden on the sponsors could jeopardise pension provision for future service benefits, discretionary practises or other aspects of staff remuneration. This would mean that the member of the scheme could potentially suffer from the introduction of something which is designed to protect benefits, i.e. it would be completely counter-productive.	Noted
306.	TCO	14.	No reference should be made to the transfer value, since the concept of transfer is not fully applicable to IORPs in the same way as this is used for insurance companies. Where insurance companies always need to take into account the possibility of a forced transfer in case of insolvency, IORPs do not have this forced threat. TCO also agrees with the point made that the transfer value for a pension contract would differ in case the liabilities would be transferred to an insurer or to another IORP. This makes the concept of transfer value unclear and therefore ineffective.	Noted
307.	Tesco PLC	14.	What is the stakeholders' view on the two options regarding the starting principle for valuing liabilities? Do stakeholders agree that such a principle for IORPS should contain no reference to transfer value? We agree with EIOPA that a transfer value is not an appropriate principle for valuing liabilities. The long term nature of pension promises means that IORPS should be able to make long-term	Noted

			assumptions about valuations in order to help them to capture returns over the long term. Also, due to their long term nature IORPS can use future contributions as assets or reduce future benefits. The valuation of liabilities on a mark-to-market basis is inappropriate for IORPs. With these points in mind, we prefer Option 1.	
308.	THE ASSOCIATION OF CORPORATE TREASURERS	14.	What is the stakeholders' view on the two options regarding the starting principle for valuing liabilities? Do stakeholders agree that such a principle for IORPs should contain no reference to transfer value? Within the Solvency II Directive for insurance companies (Art 75) assets and liabilities have to be valued at the amount for which they could be transferred and this is referred to as a market consistant basis. For an IORP there is not the same necesity to hold assets sufficient to cover a transfer value of the laibilities since the IORP, depending on its type, is able to lower liabilities by reducing benefits or can call on contributions from the sponsor. It would be economically damaging to the sponsor to require funding up to transfer values and in moving to that level of funding it would reduce the value of the sponsor support. Since in our view the ultimate strength of the pension scheme depends on the covenant of the sponsor then funding up to transfer values is not required.	Noted
309.	The Association of Pension Foundations (Finland)	14.	Transfer value is not good starting point. It emphasizes the feature that pension fund is only mid-term arrangement and finally pensions would be arranged in insurance company. Taking	Noted

			into characeristics of IORP, it doesn't fit to pension funds.	
310.	The Association of the Luxembourg Fund Industry (A	14.	The general valuation principle of the current IORP should be retained (option 1), because the case for using market-consistent valuations of liabilities (=transfer values) fails to take into account the possibility for IORP to adjust benefits downwards when funding becomes insufficient. Thus transfer values should not be referred to as a valuation concept.	Noted
311.	The Hundred Group of Finance Directors (UK)	14.	As noted in our answer to Q13, we think that the insistence on market-based consistent valuations is misplaced. We believe that an approach that also allows for future cash flows on both the asset and liability side would be preferable. In addition, we do not believe that 'market-consistent' in the context of liabilities should be interpreted to mean 'risk-free'. The discount rates should be selected to suit the requirements of the fund and discussed with actuaries and auditors, who are best placed to assess the specific risk profile of the scheme. We therefore prefer Option 1, which is to leave the IORP directive unchanged. We also note that the term 'risk-free' is undefined, with the selection of a risk-free rate having recently become much harder, as the assumption that sovereign debt represents the lowest risk may no longer be true in many countries. It may be that schemes invested in corporate bonds are exposed to lower risk that those holding the sovereign debt of many countries.	Noted

312.	The Society of Actuaries in Ireland	14.	Option 2: The concept of an IORP differs to that of an insurance contract. In particular: ☐ the contributions payable by the sponsoring employer can usually be amended in order to fund any shortfall ☐ in addition, it is possible to amend the contributions payable by the members and in some cases amend the benefits to be provided to the members to remove any shortfall ☐ an IORP is a non-profit instrument which has no shareholders ☐ an IORP is not required to attract new business The list above is not exhaustive, but in itself does illustrate the significant differences between an IORP and an insurance undertaking. Therefore we agree that the principle for valuing the liabilities of an IORP should contain no reference to transfer value. In theory we would agree with the market consistency principle, however there is a lot of detail outstanding as to how it is defined.	Noted
313.	Towers Watson Deutschland GmbH	14.	We strongly prefer option 1. Although there are different interpretations of 'prudent', this is a matter that could be covered by additional provisions and can be monitored appropriately by the supervisory authorities in each Member State. With such safeguards in place, we do not believe it is likely that different interpretations of prudence will lead to regulatory arbitrage. Option 2 would only be a reasonable approach if pension promises were of a contractual nature similar to insurance liabilities. However, this is not often the case as explained in our answer to question 12. Perhaps a greater issue is the focus on	Noted

			risk-free assets that this implies. Events in financial markets during the last few years have demonstrated that no assets are truly risk-free. However, attempting to define technical provisions by reference to available yields on particular assets will drive market behaviour. Current distortions in government bond markets, and for other low-risk assets such as swaps, this means that a standard based on market-consistency will be volatile and prone to stresses that require external intervention to resolve. A market-consistency requirement for IORPs based on risk-free assets would reinforce pro-cyclical behaviour in markets. We agree that the new IORP Directive should contain no reference to transfer values.	
314.	Trades Union Congress (TUC)	14.	What is the stakeholders' view on the two options regarding the starting principle for valuing liabilities? Do stakeholders agree that such a principle for IORPs should contain no reference to transfer value? The IORP Directive should remain unchanged regarding technical provisions. The TUC disagrees that Article 15 of the IORP Directive should be amended to value liabilities on a market-consistent basis as set out in Article 75 of the Solvency II Directive. IORPs should not be required to have a risk-free discount rate which is central to the market consistent principle. Furthermore, it is worth being mindful that government bonds have particularly seen variations in recent years, for example in the Eurozone, demonstating that bonds may not necessarily be risk-free.	Note, non-harmonised approach not within mandate

315.	Transport for London / TfL Pension Fund	14.	The starting principle for valuing liabilities in pension funds is that it is not necessary to have sufficient financial assets at all times to transfer liabilities, because there exists intergenerational risk-sharing. In terms of the holistic balance sheet, technical provisions may be covered on the asset-side by future contributions or liabilities may be lowered by reducing future benefits.	Noted
316.	UK Association of Pension Lawyers	14.	CfA 5 (Valuation of assets, liabilities and technical provisions): What is the stakeholders' view on the two options regarding the starting principle for valuing liabilities? Do stakeholders agree that such a principle for IORPs should contain no reference to transfer value? We do not support the core premise of adapting Solvency II for the generality of IORPs or re-legislating for IORPs by reference to the single market or a level playing field with insurance companies without reference to whether the IORPs actually or potentially "act in a manner similar to insurance companies" or are genuinely and meaningfully competing or operating in the same market as insurance companies. See the general comments we make in relation to question 38 below. We have nonetheless provided a comment in response to the specific question raised here, in the interests of providing EIOPA with a UK technical legal perspective on this matter, but (to emphasise a point made in raised in part (2) of our general comments at the beginning of this document) our having commented on this question should not be interpreted as our having given explicit or implicit support to the proposition of applying Solvency II to the generality of IORPs. Furthermore, this comment can only be viewed as an initial thought in the absence of further consultation on the potential economic effects of Solvency II (see the concerns raised in part (3) of our general comments at	Noted

			the beginning of this document), and indeed in the absence of an opportunity to carry out a more detailed technical analysis of the proposals under consideration and of the likely practical consequences of implementing them (see the comments made in the last paragraph of part (1) of our general comments at the beginning of this document). With those important qualifications in mind, our comment in response to this specific question is that the transfer value principle should only be relevant in circumstances where pension rights under an IORP are to be assumed by another IORP (or insurance company) and the application of that option should be confined to circumstances where it is relevant. The "price" for a third party IORP to assume transferred liabilities is completely inappropriate for (and irrelevant to) valuing the liabilities in an IORP which continues to be supported over the long term by the covenant of its employer sponsor.	
317.	UNI Europa	14.	We agree that no reference should be made to the transfer value. Liabilities should be valued in a 'market consistent' way. This is not necessarily the same as the transfer value, since the concept of transfer is not fully applicable to IORPs in the same way as this is used for insurance companies. Where insurance companies always need to take into account the possibility of a forced transfer in case of insolvency, IORPs do not face this threat. We also especially agree with the point made that the transfer value for a pension contract would differ in the event the liabilities are transferred to an insurer on the one hand or to another IORP on the other hand. This makes the concept of transfer value unclear and therefore ineffective. Since the two options offered in option 1 contain the most flexibility, we prefer option 1.	Noted
318.	Universities	14.	What is the stakeholders' view on the two options regarding the	Noted

	Superannuation Scheme (USS),		starting principle for valuing liabilities? Do stakeholders agree that such a principle for IORPs should contain no reference to transfer value? The valuation of liabilities on a market-consistent basis is inappropriate for IORPs. The long-term nature of IORPs means that they should be able to make long-term assumptions about valuations in order to help them to capture returns over the long term. The meaning of the concept of transfer value is not entirely clear from the EIOPA's draft response. It would appear that the concept is not directly applicable to the United Kingdom as, within the UK, the transfer of liabilities of an IORP to another party is extremely unlikely to take place if the scheme is underfunded. In the event that the liabilities are transferred to another party (such as an insurance company or a buy-out company), significant additional funding would be required to ensure that the IORP is fully funded on the relevant basis – referred to as the buy-out basis, which is more stringent than the on-going technical provisions basis. With these points in mind, USS prefers Option 1, as the UK already has a robust system of pension scheme funding that provides strong protection for members' benefits.	

319.	vbw – Vereinigung der Bayerischen Wirtschaft e. V.	14.	What is the stakeholders view on the two options regarding the starting principle for valuing liabilities? Do stakeholders agree that such a principle for IORPs should contain no reference to transfer value? 4. We do not agree that a Solvency II type regime is appropriate or necessary for pension funds (reasons provided in answer to question 38). This means that we do not agree with the proposal to apply a 'transfer value' model for valuing liabilities, similar to that used for insurance companies, to IORPs. The consultation document clearly outlines the negative implications of this. In particular, the long-term nature of IORPs means that they share risks across generations. Therefore, having sufficient financial assets at all times to transfer their liabilities, is not necessary. Due to their long-term nature, IORPs have the possibility to use future contributions as assets or to reduce future benefits to lower liabilities. In addition, even in the event of a transfer e.g. as a consequence of an acquisition, it is up the deal-partners to evaluate and decide whether they want to be compensate the pensions-liabilities.	Noted
320.	Verband der Firmenpensionskassen (VFPK) e.V.	14.	Under Solvency II technical provisions are valued by applying the risk free yield curve valid at the date of balance sheet. However in the current capital market environment it is not possible to asses the relevant yield curve. This is why substantial adjustments to the yield curve under Solvency II models are currently being discussed by life insurers (i.e. ultimate forward rate, counter cyclical premium, illiquidity premium, dampener for equities …), which all clearly indicate that the existing market data are not suitable as parameters for the valuation of assets and liabilities of pension commitments. Life insurers actually reject a mark-to-market valuation without	Noted

			making the last consequent step to cancel the whole Solvency II model at least for the time being. The consequences of valuation according to Solvency II will be more drastic for IORPs than for life insurers. Capital requirements resulting from changes in interest rates are extreme volatile and cannot be used for IORP fund management. IORPs are able to overcome short-term shocks relatively quickly due to their long-term commitments. The existence of a „risk free" yield curve is fundamentally questionable in the present situation of extreme volatile capital markets. In particular the application of such an "artificial" (low) yield curve to long-term pension commitments oftenly results in markedly higher commitments. The distribution of IORP risks collectively and by policy term is not being adequately considered.	
321.	Verbond van Verzekeraars	14.	We support a reference to "fulfilment notion" as a basis for the economic value. When theoretically assessing the concept of fair value or economic value, several concepts could be used such as "exit value", "entry value" and "fulfilment value". All three concepts are considered to represent the economic value of an asset or liability. However there are some differences in approach. The exit value, as used within Solvency II considers the economic value from the perspective of transferring an asset or liability to a third party. The fulfilment notion, as currently tentatively used by IFRS 4 phase II considers the economic value from the perspective of fulfilling the obligation to the	Noted

			policyholder. The terms and conditions of any scheme managed by an IORP are so distinct and different that transferring to a reference entity is not workable. Furthermore the security mechanisms and surrounding legislation should aim at fulfilment of the obligation of the IORP towards the beneficiaries.	
322.	VHP2 (Vakorganisatie voor middelbaar en hoger pers	14.	We agree that no reference should be made to the transfer value. Liabilities should be valued in a market consistent way. This is not necessarily the same as the transfer value, since the concept of transfer is not fully applicable to IORPs in the same way as this is used for insurance companies. Where insurance companies always need to take into account the possibility of a forced transfer in case of insolvency, IORPs do not have this threat. We also especially agree with the point made that the transfer value for a pension contract would differ in case the liabilities would be transferred to an insurer on the one hand or to another IORP on the other hand. This makes the concept of transfer value unclear and therefore ineffective. Since the two options offered in option 1 contain the most flexibility, we prefer option 1	Noted
323.	Whitbread Group PLC	14.	We see no reason for change to the current regulatory regime for UK pension schemes, which provides strong protection for member's pension benefits	Noted
324.	Zusatzversorgungskasse des Baugewerbes AG	14.	20. We agree with option 1. Reference to transfer value is not appropriate 21. But we want to stress that a mark-to-market approach for pension liabilities is inappropriate either. First of all, pension liabilities of a industry wide multiemployer pension fonds with solidarity elements based on collective equivalence like the ones	Noted

			of ZVK-Bau cannot be transferred into other structures or to insurance companies without completely destroying the scheme's unique design. Secondly, even for other liability structures there are almost no markets for pension liabilities in continental Europe currently. All liabilities have to be marked against a certain model. But even the asset side suffers under fair value accounting: pension liabilities are very long-lasting. The average duration of our pension fund's liabilities exceed 20 years. To replicate these liabilities with an assets portfolio that matches the liability structure, huge parts of the assets must have durations longer then 15, 20 or even 30 years. There are almost no fixed income assets with this duration available on the capital markets. IORP's are unable to achieve a matched asset liability structure. Therefore the high duration of the liability side with the asset liability mismatch drives risk and volatility of the IORP's P&L. 22. Furthermore systemic risk might emerge if the whole financial industry turns to risk based supervision using the same type of harmonised standards. If everyone might be forced to move in the same direction in periods of turmoil this creates procyclical behavior.	
325.	Towers Watson	14.	15. What is the stakeholders' view on the two options regarding the starting principle for valuing liabilities? Do stakeholders agree that such a principle for IORPs should contain no reference to transfer value? Option 1 is to make no changes to the existing IORP directive. Technical provisions would then be calculated in a "prudent, reliable and objective" but not necessarily "market-consistent" manner. Option 2 would be to require technical provisions to be determined on a "market-consistent" basis. Paragraph 9.3.9 of	Noted

			the Consultation expands on the possible meaning of "market-consistent", referring to the use of risk-free replicating assets, as far as possible. In our view, it is not obvious that option 1 is inappropriate. Although there are different interpretations of 'prudent', this is a matter that could be covered by additional provisions and can be monitored appropriately by the supervisory authorities in each Member State. With such safeguards in place, we do not believe it is likely that different interpretations of prudence will lead to regulatory arbitrage. There has been no notable regulatory arbitrage in the past because pension provision is about far more than just the 'prudence' used in setting technical provisions. Option 2 might be regarded as a reasonable approach if pension promises were of a contractual nature similar to insurance liabilities. However, this is not the case. Pension promises reflect current and past social policies, and have different characteristics both between Member States and within individual Member States. How could such differences be reflected in a market-consistent valuation approach? In order to do so, there would need to be flexibility to adjust the market-consistent value of technical provisions to recognise the different nature of pension promises. This would introduce a similar scope for differing interpretations as already exists in the current IORP regime. Perhaps a greater issue is the focus on risk-free assets that option 2 implies. Events in financial markets during the last few years have demonstrated that no assets are truly risk-free. However, attempting to define technical provisions by reference to available yields on particular assets will drive market behaviour. This is particularly the case for IORPs, many of which are seeking to reduce risks as their liabilities mature. We believe there is already evidence of distortion in government	

			bond markets, and for other low-risk assets such as swaps, which means that a standard based on market-consistency will be volatile and prone to stresses that require regulatory intervention to resolve. A market-consistency requirement for IORPs based on risk-free assets would also reinforce pro-cyclical behaviour in markets. These issues would need serious consideration if option 2 were to be considered further. It is worth observing that there is an element of market-consistency in the current UK regime, because assets must be taken at fair value and technical provisions must be valued in a manner that is consistent with the fair valuation of assets. However, market-consistency does not mean risk-free assets are the only reference point for determining technical provisions – prudent views of returns from other asset classes can be taken into account. On the particular question about the reference in article 76(2) to the 'value of the technical provisions corresponding to the amount that would have to be paid to a third party to take on those liabilities' – the 'risk margin' or transfer cost, we agree with EIOPA's conclusion that the new IORP Directive should contain no reference to this as the basis for calculating technical provisions.	
326.	OPSG (EIOPA Occupational Pensions Stakeholder Group)	15.	See question 13	Noted
327.	AbA Arbeitsgemeinschaft für betriebliche Altersver	15.	Notwithstanding the fact that we do not agree with a market consistent approach to valuing liabilities, we are the view that taking the credit standing of IORPs into account when valuing liabilities leads to the absurd outcome that the lower the creditworthiness of the IORP, the lower are its liabilities. In any event, this approach would seem rather theoretical as most	Noted, disadvantage mentioned in explanatory text

			IORPs are unrated.	
328.	ABVAKABO FNV	15.	We agree with EIOPA that the own credit standing should never be taken into account in valuing the liabilities. If a holistic balance sheet approach were to be chosen by the EC, the credit standing of the IORP will be reflected in any option value where the payoff depends on the solvency of the IORP, but for transparency reasons, the best estimate of the liabilities should remain unaffected.	Noted
329.	AEIP	15.	60. Taking the credit standing of the IORP into account, is denying the going concern principle. It would lead to an unclear and ineffective situation. The idea starts from the assumption that there is a market available to take over the liabilities. This is not the case, certainly not in continental Europe. AEIP believes that taking into account the specific structure and functioning of IORP's, the own credit standing of IORPs should not be taken into account when valuing liabilities.	Noted
330.	AFPEN (France)	15.	94. AFPEN agrees that the own credit standing should not be taken into account when valuating liabili-ties. Additionally AFPEN wants to point out that the very consideration to take into account the own credit standing is implied by the market-consistent valuation principle: In case of a down-grading of the credit-standing of a pension fund the market-value of the assets, which another institution holds, decreases. Therefore, to be market-consistent, the IORP can decrease the value of liabilities in its own balance sheets and in the end the net equity of the IORPs increase even though its own credit standing has declined. This exemplifies the problematic aspects of market-consistent valua-tion if applied in a consistent manner and illustrates that there is no single valuation approach on "sound economic principles" for all	Noted

			purpose!	
333.	AMICE	15.	9. AMICE agrees with this proposal by EIOPA.	Noted
334.	AMONIS OFP	15.	Do stakeholders agree that the own credit standing of IORPs should not be taken into account when valuing liabilities? Yes. The own credit standing of the IORP should not be taken into account. ☐ Taking the credit standing of the IORP into account, is denying the going concern principle. The idea starts from the assumption that there is a market available to take over the liabilities. This is not the case.	Noted
335.	ANIA – Association of Italian Insurers	15.	The ANIA agrees that the own credit standing of IORPs should not be taken into account when valuing liabilities. As such, the proposal of EIOPA with reference to article 75 should be included in the revised IORP Directive.	Noted
336.	Association of British Insurers	15.	The ABI agrees that the credit standing of IORPs should not be taken into account when valuing liabilities.	Noted
337.	Association of Consulting Actuaries (UK)	15.	Yes, we agree with this EIOPA recommendation.	Noted
338.	Association of French Insurers (FFSA)	15.	The FFSA agrees that the own credit standing of IORPs should not be taken into account when valuing liabilities. As such, the proposal of EIOPA with reference to article 75 should be included in the revised IORP Directive.	Noted
339.	Association of Pensioneer Trustees in Ireland	15.	See response to question 12.	Noted
340.	Assoprevidenza – Italian Association for supplemen	15.	We agree. The own credit standing of IORPs should not be taken into account when valuing liabilities Taking the credit standing of the fund into account, is denying	Noted

			the going concern principle. It would lead to an unclear and ineffective situation. The idea starts from the assumption that there is a market available to take over the liabilities. This is not the case, certainly not in continental Europe.	
341.	Assuralia	15.	Cfr. Q. 12 The extremely short delay for responding to the technical consultation document has forced the members of Assuralia to prioritize and to focus on a number of questions. Our lack of response to this question must not be regarded as a lack of interest or opinion.	Noted
342.	Belgian Association of Pension Institutions (BVPI-	15.	Do stakeholders agree that the own credit standing of IORPs should not be taken into account when valuing liabilities? Yes. The own credit standing of the IORP should not be taken into account. 2. Taking the credit standing of the IORP into account, is denying the on-going-concern principle. The idea starts from the assumption that there is a market available to take over the liabilities. This is not the case.	Noted
343.	BNP Paribas Cardif	15.	BNP Paribas Cardif agrees that the own credit standing of IORPs should not be taken into account when valuing liabilities. As such, the proposal of EIOPA with reference to article 75 should be included in the revised IORP Directive.	Noted
344.	BT Group plc	15.	Do stakeholders agree that the own credit standing of IORPs should not be taken into account when valuing liabilities?	Noted

			We agree that the credit standing of IORPs should not be taken into account.	
345.	BT Pension Scheme Management Ltd	15.	Yes, we agree that the own credit standing of IORPs should not be taken into account. What is relevant is the credit standing of the sponsor, which does need to feature in the understanding of the sponsor covenant.	Noted
346.	BVI Bundesverband Investment und Asset Management	15.	BVI agrees.	Noted
347.	CEA	15.	The CEA agrees that the own credit standing of IORPs should not be taken into account when valuing liabilities. As such, the proposal of EIOPA with reference to article 75 should be included in the revised IORP Directive.	Noted
348.	Charles CRONIN	15.	I agree with EIOPA's advice to use the Solvency II requirement, stating that no adjustment should be made to take account of the own credit standing of the IORP when valuing liabilities.	Noted
349.	Chris Barnard	15.	Yes. The own credit standing of IORPs should not be taken into account when valuing liabilities. Including own credit standing leads to the counter-intuitive result that an IORP would "gain" from a reduction in credit standing. This has been observed in many banks' recent quarterly reporting (see "Fairyland value accounting", Financial Times, 23 October 2011), where up to 80% of banks' reported quarterly net profits resulted from falls in their own credit standing. This is imprudent and unrealistic. Excluding own credit standing is also consistent with Solvency II (see Article 75(1) of the Solvency II Directive) and IFRS (for example see Paragraph 38 of the latest exposure draft on Insurance Contracts, ED/2010/8, issued by the IASB).	Noted, disadvantage mentioned in explanatory text

			For a fuller discussion on this issue please see the IASB Staff Paper "Credit Risk in Liability Measurement", published June 2009; available at http://www.ifrs.org/NR/rdonlyres/F57B3E62-41F1-4817-B32D-531354E03D10/0/CreditRiskLiabilitStaff.pdf	
350.	CMHF (Centrale van Middelbare en Hogere Functionar	15.	We agree with EIOPA that the own credit standing should never be taken into account in valuing the liabilities. If a holistic balance sheet approach were to be chosen by the EC, the credit standing of the IORP will be reflected in any option value where the payoff depends on the solvency of the IORP, but for transparency reasons, the best estimate of the liabilities should remain unaffected.	Noted
351.	De Unie (Vakorganisatie voor werk, inkomen en loop	15.	We agree with EIOPA that the own credit standing should never be taken into account in valuing the liabilities. If a holistic balance sheet approach were to be chosen by the EC, the credit standing of the IORP will be reflected in any option value where the payoff depends on the solvency of the IORP, but for transparency reasons, the best estimate of the liabilities should remain unaffected.	Noted
352.	Derek Scott of D&L Scott	15.	Not when valuing liabilities, but certainly when monitoring counterparty and other agency risks.	Noted
353.	Direction Générale du Trésor, Ministère des financ	15.	Yes we agree.	Noted
354.	Ecie vie	15.	Yes	Noted
355.	European Association of Public Sector Pension Inst	15.	Do stakeholders agree that the own credit standing of IORPs should not be taken into account when valuing liabilities?	Noted

			EAPSPI agrees that the own credit standing should not be taken into account when valuating liabilities. Additionally EAPSPI wants to point out that the very consideration to take into account the own credit standing is implied by the market-consistent valuation principle: In case of a down-grading of the credit-standing of a pension fund the market-value of the assets, which another institution holds, decreases. Therefore, to be market-consistent, the IORP can decrease the value of liabilities in its own balance sheets and in the end the net equity of the IORPs increase even though its own credit standing has declined. This exemplifies the problematic aspects of market-consistent valuation if applied in a consistent manner and illustrates that there is no single valuation approach on "sound economic principles" for all purpose.	
356.	European Federation for Retirement Provision (EFRP	15.	The own credit standing should never be taken into account in valuing the liabilities. Taking the credit standing of the fund into account, is denying the going concern principle.	Noted
357.	European Metalworkers Federation	15.	EMF believes that taking into account the specific structure and functioning of IORPs, the own credit standing of IORPs should not be taken into account when valuing liabilities.	Noted
358.	European Mine, Chemical and Energy workers' Fede	15.	EMCEF believes that taking into account the specific structure and functioning of IORPs, the own credit standing of IORPs should not be taken into account when valuing liabilities.	Noted
359.	Federation of the Dutch Pension Funds	15.	We agree with EIOPA that the own credit standing should never be taken into account in valuing the liabilities. If a holistic balance sheet approach were to be chosen by the EC, the credit	Noted

			standing of the IORP will be reflected in any option value where the payoff depends on the solvency of the IORP, but for transparency reasons, the best estimate of the liabilities should remain unaffected.	
360.	Financial Reporting Council	15.	We agree that the own credit standing of IORPs should not be taken into account when valuing liabilities.	Noted
361.	FNMF – Fédération Nationale de la Mutualité França	15.	FNMF does not agree on valuation principles based on market value.	Noted
362.	FNV Bondgenoten	15.	We agree with EIOPA that the own credit standing should never be taken into account in valuing the liabilities. If a holistic balance sheet approach were to be chosen by the EC, the credit standing of the IORP will be reflected in any option value where the payoff depends on the solvency of the IORP, but for transparency reasons, the best estimate of the liabilities should remain unaffected.	Noted
363.	Generali vie	15.	Yes	Noted
364.	German Institute of Pension Actuaries (IVS\32\45\3	15.	Since the business model of an IORP is such that its credit worthiness is not even theoretically appropriate, we agree with this assessment. In particular, the model is not suitable for German IORPs because the liabilities originate from the employer and are protected by legally installed insolvency measures. They are not dependent on an IORP's credit standing. Hence, an IORP's arithmetically determined credit standing does not increase the risk of default for the beneficiary. 1. For this reason, the concept of taking the IORP's credit standing into account when valuing liabilities is not at all appropriate	Noted

365.	Groupe Consultatif Actuariel Européen.	15.	On the basis that it is the nature of the promise between the IORP and the member that is relevant when valuing liabilities, rather than the strength of the IORP, we agree that the own credit standing should not be taken into account.	Noted, reason included in explanatory text
366.	Groupement Français des Bancassureurs	15.	FBIA agrees that the own credit standing of IORPs should not be taken into account when valuing liabilities. As such, the proposal of EIOPA with reference to article 75 should be included in the revised IORP Directive.	Noted
367.	PMT-PME-Mn Services	15.	We agree with EIOPA that the own credit standing should never be taken into account in valuing the liabilities. If a holistic balance sheet approach were to be chosen by the EC, the credit standing of the IORP will be reflected in any option value where the payoff depends on the solvency of the IORP, but for transparency reasons, the best estimate of the liabilities should remain unaffected.	Noted
368.	HM Treasury/Department for Work and Pensions	15.	We agree the credit standing of the IORP is not applicable in this context (ie. the funding level of the IORP should not alter the valuation itself), but the position of the sponsor as separate from the IOPR should be taken into account. Pension Funds with a robust sponsor standing behind them can invest in assets with a higher return but greater volatility without a risk to the pension scheme member. This is because the ultimate risk is born by the sponsor, not just the pension fund.	Noted
369.	Institute and Faculty of Actuaries (UK)	15.	Yes, particularly for sponsor-backed IORPs where it is the standing of the sponsor that is important from a security standpoint. Many IORPs do not have an objectively measured credit standing.	Noted

370.	KPMG LLP (UK)	15.	We would find it difficult to assess the 'own credit standing' of many IORPs, so agree that this should not be considered.	Noted
371.	Le cercle des épargnants	15.	Yes	Noted
373.	Mercer	15.	We assume that the credit standing of the IORP would be taken into account on the asset side of the holistic balance sheet, in which case there could be double counting if it was also used to determine and appropriate measure of the liabilities.	Noted
374.	MHP (Vakcentrale voor Middengroepen en Hoger Perso	15.	We agree with EIOPA that the own credit standing should never be taken into account in valuing the liabilities. If a holistic balance sheet approach were to be chosen by the EC, the credit standing of the IORP will be reflected in any option value where the payoff depends on the solvency of the IORP, but for transparency reasons, the best estimate of the liabilities should remain unaffected.	Noted
376.	National Association of Pension Funds (NAPF)	15.	Do stakeholders agree that the own credit standing of IORPs should not be taken into account when valuing liabilities? The NAPF does not support this approach. The approach to valuing liabilities should be sufficiently flexible to take account of the full range of factors that have a bearing on the likelihood that liabilities will be met. The IORP's own credit standing is clearly an important factor in this assessment, and it should be possible for IORPs with a strong credit standing to factor this into the assumptions used for valuing liabilities.	Noted

378.	OECD Secretariat to the Working Party on Private P	15.		
379.	Pan-European Insurance Forum (PEIF)	15.	PEIF agrees that the own credit standing of IORPs should not be taken into account.	Noted
381.	Pensioenfonds Zorg en Welzijn (PFZW)	15.	We agree with EIOPA that the own credit standing should never be taken into account in valuing the liabilities. If a holistic balance sheet approach were to be chosen by the European Commission, the credit standing of the IORP will be reflected in any option value where the payoff depends on the solvency of the IORP, but for transparency reasons, the best estimate of the liabilities should remain unaffected.	Noted
382.	Predica	15.	Predica agrees that the own credit standing of IORPs should not be taken into account when valuing liabilities. As such, the proposal of EIOPA with reference to article 75 should be included in the revised IORP Directive.	Noted
383.	prof.dr. A.A.J. Pelsser HonFIA, Netspar & Maastric	15.	Agree: own credit standing should not be taken into account to value liabilities. Certainly not by increasing the discount rate! Note: in the holistic balance sheet approach, the option to reduce the benefits is an asset with a positive value, and should be reported as such. In this way, the "credit standing" can be made explicitly visible in the balance sheet.	Noted
384.	PTK (Sweden)	15.	The own credit standing should never be taken into account in valuing the liabilities. Taking the credit standing of the fund into account, is denying the going concern principle.	Noted

385.	Railways Pension Trustee Company Limited ("RPTCL	15.	We have not considered this question.	Noted
387.	TCO	15.	The own credit standing should never be taken into account in valuing the liabilities. Taking the credit standing of the fund into account, is denying the going concern principle.	Noted
388.	Tesco PLC	15.	Do stakeholders agree that the own credit standing of IORPS should not be taken into account when valuing the liabilities? We believe the approach to valuing liabilities should be flexible enough to take into account the full range of factors that influence the ability of future liabilities to be met	Noted
389.	The Association of Pension Foundations (Finland)	15.	Pension funds have no credit standings, so it should not be taken into account when valuing liabilities.	Noted
390.	The Association of the Luxembourg Fund Industry (A	15.	The own credit standing should not be taken into account in valuing the liabilities. Taking the credit standing of the fund into account, is denying the going concern principle.	Noted
391.	The Society of Actuaries in Ireland	15.	Not applicable in the Irish context	Noted
392.	Towers Watson Deutschland GmbH	15.	We agree with this assessment, since the business model of an IORP is such that its credit worthiness is almost always not even theoretically appropriate.	Noted
393.	Transport for London / TfL Pension Fund	15.	We would not support the approach of not taking into account the credit standing of the IORP as we consider that there should	Noted

			be scope for taking into account a wide range of factors in assessing how liabilities will be met. One of these factors will be the credit rating of the IORP and those with a strong rating should be able to make use of it when valuing liabilities.	
394.	UK Association of Pension Lawyers	15.	CfA 5 (Valuation of assets, liabilities and technical provisions): Do stakeholders agree that the own credit standing of IORPs should not be taken into account when valuing liabilities? We do not support the core premise of adapting Solvency II for the generality of IORPs or re-legislating for IORPs by reference to the single market or a level playing field with insurance companies without reference to whether the IORPs actually or potentially "act in a manner similar to insurance companies" or are genuinely and meaningfully competing or operating in the same market as insurance companies. See the general comments we make in relation to question 38 below. We have nonetheless provided a comment in response to the specific question raised here, in the interests of providing EIOPA with a UK technical legal perspective on this matter, but (to emphasise a point made in raised in part (2) of our general comments at the beginning of this document) our having commented on this question should not be interpreted as our having given explicit or implicit support to the proposition of applying Solvency II to the generality of IORPs. Furthermore, this comment can only be viewed as an initial thought in the absence of further consultation on the potential economic effects of Solvency II (see the concerns raised in part (3) of our general comments at the beginning of this document), and indeed in the absence of an opportunity to carry out a more detailed technical analysis of the proposals under consideration and of the likely practical consequences of implementing them (see the comments made in the last paragraph of part (1) of our general comments at the beginning of this document).	Noted

			With those important qualifications in mind, our comment in response to this specific question is that it appears correct to exclude the own credit standing of the insurance or re-insurance undertaking when calculating the value of liabilities. The credit standing would be relevant when considering whether it would be prudent to make a transfer to that undertaking.	
395.	UNI Europa	15.	UNI Europa believes that because of the specific structure and functioning of IORPs, the own credit standing of IORPs should not be taken into account when valuing liabilities.	Noted
396.	Universities Superannuation Scheme (USS),	15.	Do stakeholders agree that the own credit standing of IORPs should not be taken into account when valuing liabilities? USS does not support this approach. In the context of defined benefit provision in the United Kingdom an IORP itself does not have any credit rating. The approach to valuing liabilities should be sufficiently flexible to take account of the full range of factors that have a bearing on the likelihood that liabilities will be met. The IORP's own credit standing is clearly an important factor in this assessment, and it should be possible for IORPs with a strong credit standing to factor this into the assumptions used for valuing liabilities.	Noted
397.	Verband der Firmenpensionskassen (VFPK) e.V.	15.	The fact that this option is being discussed at all shows the fundamentally high level of insecurity about the valuation of assets and liabilities. There is obviously no putative "fair value" approach for the measurement of "risk based" capital.	Noted, disadvantage mentioned in explanatory text

			Basically the IORPs own solvency cannot be taken into consideration in the valuation of commitments since this would present IORPs with bad solvency as having a better position.	
398.	VHP2 (Vakorganisatie voor middelbaar en hoger pers	15.	We agree with EIOPA that the own credit standing should never be taken into account in valuing the liabilities. If a holistic balance sheet approach were to be chosen by the EC, the credit standing of the IORP will be reflected in any option value where the payoff depends on the solvency of the IORP, but for transparency reasons, the best estimate of the liabilities should remain unaffected.	Noted
399.	Whitbread Group PLC	15.	We see no reason for change to the current regulatory regime for UK pension schemes, which provides strong protection for member's pension benefits	Noted
400.	Zusatzversorgungskasse des Baugewerbes AG	15.	23. We believe that taking into account the specific structure and functioning of IORP's is far more important than the own credit standing of IORPs. This is obvious with industry-wide multiemployer pension funds like ZVK-Bau, where all employers share the pension promises given to all employees of the industry.	Note
401.	Towers Watson	15.	16. Do stakeholders agree that the own credit standing of IORPs should not be taken into account when valuing liabilities? In the UK, all IORPs are sponsor-backed and do not have an own-credit standing. However, on the basis that it is the nature of the promise between the IORP and the member that is relevant when valuing liabilities, rather than the strength of the IORP, we agree that the own credit standing should not be taken into account.	Noted

402.	OPSG (EIOPA Occupational Pensions Stakeholder Group)	16.	See question 13	Noted
403.	AbA Arbeitsgemeinschaft für betriebliche Altersver	16.	In principle, supervisory valuation standards should be compatible (but not necessarily identical) with accounting standards in order to avoid conflicting management objectives. It should be noted, however, that not even international accounting standards are consistent. For example, IAS 26 (financial statements of the pension fund) and IAS 39 (financial instruments held by corporates, banks and insurance companies) allow matching or held to maturity investments to be shown at redemption value and amortised cost, respectively, rather than market value, whereas IAS 19 doesn't. This question should, therefore, make clear which accounting standards are meant (local, IAS 19, IAS 26, IAS 39?). Secondly, we would reject any accounting standards which are based on mark to market valuations, as these are inappropriate for IORPs. If a solvency balance sheet were introduced in Germany that deviates from the valuation approach used by local accounting standards, either by using mark to market valuation or self-defined stress parameters, this would lead to major adjustment requirements that cannot be accommodated and would lead to the demise of IORPs in Germany.	Partially agreed, option 1 selected and national GAAP mentioned in explanatory text
404.	ABVAKABO FNV	16.	We see no need to make sure that supervisory standards are compatible with accounting standards. We agree with EIOPA's remark that the objective of the 2 bases are too different to achieve convergence. We are in favour of option 1 not to change the current IORP Directive on this point.	Agreed, option 1 selected

405.	AEIP	16.	61. AEIP believes that harmonization with accounting rules should not be a driver for a new IORP framework. 62. AEIP believes that current IAS / IFRS regulation are unfit to form the basis of a solvency regime for IORP's. IORP's do not compete for investor's money and there is therefore no need to use investor related accounting rules like IAS / IFRS. IORP should use accounting rules based on prudence and with averaging mechanisms, at least when it comes to solvency needs. For industry-wide operating IORP's and their sponsoring companies no international accounting rules exist that seem to be applicable. Liability figures for each sponsoring company cannot be provided in schemes which are calculated via "collective equivalence" and partly funded / partly PAYG. Therefore we prefer option 1.	Agreed, option 1 selected
406.	AFPEN (France)	16.	AFPEN appreciates that supervision valuation standards and accounting standards should in general be compatible. Therefore the standards for a solvency balance sheet must be in line with the existing national accounting standards, as these standards are central for internal and external accounting of IORPs. The second reason for using national standards is the fundamental inadequateness of a market-consistent valuation in case of IORPs due to the specific business model, no disposal or transfer because of the specific structure and relation between employee, employer and pension fund, the nature of liabilities as well as the long-term investment strategy (see answers #13 and #14 above for an argumentation in length). In addition diverging solvency and national standards give contrary impulses to the controlling and governance of IORPs.	Noted, national GAAP mentioned in explanatory text
409.	AMICE	16.	10. AMICE agrees with EIOPA's proposal to insert a recital in	Noted

			the revised IORP Directive ensuring that supervisory valuation standards should be compatible with accounting standards.	
410.	AMONIS OFP	16.	What is the stakeholders' view on inserting a recital in the IORP Directive saying that supervisory valuation standards should, to the extent appropriate, be compatible with accounting standards? AMONIS OFP is in favour of option 1 no change of the current IORP Directive on this point. There is no need to make sure that supervisory standards are compatible with accounting standards. AMONIS OFP agrees with EIOPA´s remark that the objective of the 2 bases is too different to achieve convergence and considers that the current IAS / IFRS regulation are unfit to form the basis of a solvency regime for IORPs.	Agreed, option 1 selected
411.	ANIA – Association of Italian Insurers	16.	The ANIA agrees with EIOPA's proposal in option 2, to include a recital – consistent with recital 46 of the Solvency II Directive - in the IORP Directive mentioning that supervisory valuation standards should, to the appropriate extent, be compatible with accounting standards. This can, as EIOPA correctly indicates, ensure that rules relating to accounting standards do no inappropriately impact on solvency rules. In case national GAAP meet the criteria of the solvency rules, then they should also serve as a basis.	Noted
412.	Association of British Insurers	16.	The ABI agrees with Option 2. This can as EIOPA says, ensure that rules relating to accounting standards do not inappropriately impact on solvency rules.	Noted
413.	Association of Consulting Actuaries (UK)	16.	Our view is that where practical advantages can be gained (e.g. reducing actuarial costs to IORPs) by aligning standards then such advantages should be exploited, but accountancy standards were designed for a fundamentally different purpose to funding.	Agreed

414.	Association of French Insurers (FFSA)	16.	The FFSA agrees with EIOPA's proposal in option 2, to include a recital – consistent with recital 46 of the Solvency II Directive - in the IORP Directive mentioning that supervisory valuation standards should, to the appropriate extent, be compatible with accounting standards. This can, as EIOPA indicates, ensure that rules relating to accounting standards do not inappropriately impact on solvency rules.	Noted
415.	Association of Pensioneer Trustees in Ireland	16.	See response to question 12.	Noted
416.	Assoprevidenza – Italian Association for supplemen	16.	We prefers option 1 We believe that harmonization with accounting rules should not be a driver for a new IORP framework. We believes that current IAS / IFRS regulation are unfit to form the basis of a solvency regime for IORP. Pension funds do not compete for investor's money and there is therefore no need to use investor related accounting rules like IAS / IFRS. IORP should use accounting rules based on prudence and with averaging mechanisms, at least when it comes to solvency needs. For industry-wide operating pension funds and their sponsoring companies no international accounting rules exist that seem to be applicable. Liability figures for each sponsoring company cannot be provided in schemes which are calculated via "collective equivalence" and partly funded / partly PAYG. Therefore we prefer option 1.	Agreed, option 1 selected
417.	Assuralia	16.	Cfr. Q. 12 The extremely short delay for responding to the technical	Noted

			consultation document has forced the members of Assuralia to prioritize and to focus on a number of questions. Our lack of response to this question must not be regarded as a lack of interest or opinion.	
418.	Belgian Association of Pension Institutions (BVPI-	16.	What is the stakeholders' view on inserting a recital in the IORP Directive saying that supervisory valuation standards should, to the extent appropriate, be compatible with accounting standards? BVPI-ABIP is in favour of option 1 no change of the current IORP Directive on this point. There is no need to make sure that supervisory standards are compatible with accounting standards. BVPI-ABIP agrees with EIOPA´s remark that the objective of the 2 bases is too different to achieve convergence and considers that the current IAS / IFRS regulation are unfit to form the basis of a solvency regime for IORPs.	Agreed, option 1 selected
419.	BNP Paribas Cardif	16.	BNP Paribas Cardif agrees with EIOPA's proposal in option 2, to include a recital – consistent with recital 46 of the Solvency II Directive - in the IORP Directive mentioning that supervisory valuation standards should, to the appropriate extent, be compatible with accounting standards. This can, as EIOPA indicates, ensure that rules relating to accounting standards do not inappropriately impact on solvency rules.	Noted
420.	BT Group plc	16.	What is the stakeholders' view on inserting a recital in the IORP Directive saying that supervisory valuation standards should, to the extent appropriate, be compatible with accounting standards?	Agreed, option 1 selected

			The purpose of accounting standards differs significantly from that of funding. There is no benefit from introducing compatibility and any efficiency savings would be immaterial. For example, accounting valuations are often carried out at different dates and more regularly than ongoing funding calculations. Consistency is also unlikely to provide any benefits to member security or cross border harmonisation.	
421.	BT Pension Scheme Management Ltd	16.	We do not believe that there would be a significant benefit from aligning the two valuations. The cost burden which would be removed by aligning the two would be limited at best, and an alignment of the two valuations would be unhelpful: the aim of the accounting standards is to provide a year-end snapshot of the position of the pension scheme, whereas the supervisory valuation should be based much more on an approach which reflects the ongoing life of the scheme and its funding needs. To use an accounting analogy, the accounting valuation is a sum-of-the-parts approach while the supervisory valuation is a going concern one; as in corporate life, the going concern approach is much more informative unless there is a genuine threat to the ongoing existence of the pension scheme. Confusing the two forms of valuation and the two information requirements would be unhelpful.	Agreed, option 1 selected
422.	Bundesarbeitgeberverband Chemie e.V. (BAVC)	16.	BAVC prefers option 1 to not change the current IORP Directive. There is no need to make sure that supervisory standards are compatible with accounting standards.	Agreed, option 1 selected
423.	CEA	16.	The CEA agrees with EIOPA's proposal in option 2, to include a recital – consistent with recital 46 of the Solvency II Directive - in the IORP Directive mentioning that supervisory valuation standards should, to the appropriate extent, be compatible with accounting standards. This can, as EIOPA correctly indicates, ensure that rules relating to accounting standards do no	Noted

			inappropriately impact on solvency rules. In case national GAAP meet the criteria of the solvency rules, then they should also serve as a basis.	
424.	Charles CRONIN	16.	I would not support the insertion of text similar to recital 46 from Solvency II to promote consistency between the rules to establish prudential balance sheets of IORPs and the rules for general accounting purposes. I am concerned that certain aspects of IFRS 19 methodology are inappropriate for the calculation of IORP assets and liabilities. Given the long term structure of IORP liabilities and the remarks above concerning market efficiency and bond yields, I believe it would not be in the interests of scheme members to absorb the IFRS accounting conventions into the prudential standards.	Agreed, option 1 selected
425.	Chris Barnard	16.	I would support the proposal that a recital should be inserted in the IORP Directive saying that supervisory valuation standards should, to the extent appropriate, be compatible with accounting standards. This would allow for greater consistency between accounting standards and supervisory standards, and would reduce the regulatory burden on IORPs where the requirements were consistent.	Agreed, option 1 selected
426.	CMHF (Centrale van Middelbare en Hogere Functionar	16.	We see no need to make sure that supervisory standards are compatible with accounting standards. We agree with EIOPA's remark that the objective of the 2 bases is too different to achieve convergence. We are in favour of option 1 not to change the current IORP Directive on this point.	Agreed, option 1 selected
427.	De Unie (Vakorganisatie voor werk, inkomen en loop	16.	We see no need to make sure that supervisory standards are compatible with accounting standards. We agree with EIOPA's remark that the objective of the 2 bases is too different to achieve convergence. We are in favour of option 1 not to change	Agreed, option 1 selected

			the current IORP Directive on this point.	
428.	Derek Scott of D&L Scott	16.	See 13. above. It is difficult to reconcile the efficient market financial theory and capital asset pricing model assumptions of mark-to-market accounting with real world investment markets and the need for more effective investment in public works (such as infrastructure) and engines of economic growth. Accounting standards were a "root cause" of the financial crisis and should be subject to a comprehensive review, according to the UK's Local Authority Pension Fund Forum ("LAPFF"). The LAPFF 'post-mortem' report into the UK and Irish banking losses of 2008 argues that the International Financial Reporting Standards fully adopted in the UK in 2005 are not "fit for purpose" and led banks to overstate their solvency in the run up to the banking crash. The report argues that banks that appeared perfectly solvent required a massive taxpayer bail-out within months - a discrepancy in financial reporting that shareholders have yet to adequately question. The 54-member LAPFF, worth €120bn in assets, argues there has been a "deficit in analysis" from institutional investors on how the banks came to lose an estimated €180bn of capital. LAPFF chairman councillor Ian Greenwood said if investors are to contribute to banking reform they must first understand what went wrong. He commented: "The forum's analysis as set out in this publication leads to some radical conclusions, not least the need for a comprehensive review of financial reporting where we believe there are significant deficiencies. The failure of several major UK and Irish banks had a major impact on our members	Noted, option 1 selected

			in particular, and market confidence in general. Therefore it is vital that we understand precisely what went wrong, including why the failures were initially misdiagnosed as a problem of liquidity, rather than a capital crisis." The report argues that banks overstated not only the size but also the quality of the capital in their accounts by as much as 600% in one case. The LAPFF's analysis states that UK and Irish banks were at a greater risk in the crisis because the UK appears to have adopted the IFRS standards more comprehensively than other European nations, for example compared with banks in Spain, Germany or France. LAPFF also claims the refinancing of the banks is largely due to losses on ordinary lending not investment banking trading losses. Greenwood added: "Our analysis clearly points to the fact that flawed international financial reporting standards played a significant contributory role. This implies that significant reform of both accounting standards and the standard setters is required."	
429.	Deutsche Post AG / Deutsche Post DHL	16.	We see no need to make sure that supervisory standards are compatible with accounting standards. We agree with EIOPA's remark that the objective of the 2 bases is too different to achieve convergence. We are in favour of option 1 not to change the current IORP Directive on this point.	Agreed, option 1 selected
430.	Deutsche Post Pensionsfonds AG	16.	We see no need to make sure that supervisory standards are compatible with accounting standards. We agree with EIOPA's remark that the objective of the 2 bases is too different to achieve convergence. We are in favour of option 1 not to change the current IORP Directive on this point.	Agreed, option 1 selected

431.	DHL Services Limited	16.	What is the stakeholders' view on inserting a recital in the IORP Directive saying that supervisory valuation standards should, to the extent appropriate, be compatible with accounting standards? The purposes of supervisory valuation standards and accounting standards are different, and we therefore do not see that there is a fundamental requirement for compatibility. Accounting standards are designed to give the owners of a company a fair value of the liabilities the company has to meet, whereas supervisory valuation standards should be more prudent and should be used to ensure that in majority of cases the beneficiaries receive payment of their benefits.	Agreed, option 1 selected
432.	DHL Trustees Limited	16.	What is the stakeholders' view on inserting a recital in the IORP Directive saying that supervisory valuation standards should, to the extent appropriate, be compatible with accounting standards? The purposes of supervisory valuation standards and accounting standards are different, and we therefore do not see that there is a fundamental requirement for compatibility. Accounting standards are designed to give the owners of a company a fair value of the liabilities the company has to meet, whereas supervisory valuation standards should be more prudent and should be used to ensure that in majority of cases the beneficiaries receive payment of their benefits.	Agreed, option 1 selected
433.	Ecie vie	16.	We support option 2 (insert text similar to recital 46 of Solvency II Directive).	Noted

434.	European Association of Public Sector Pension Inst	16.	What is the stakeholders' view on inserting a recital in the IORP Directive saying that supervisory valuation standards should, to the extent appropriate, be compatible with accounting standards? EAPSPI appreciates that supervision valuation standards and accounting standards should in general be compatible. But the point of reference for the supervisory valuation standards must strictly reflect the very purpose of balancing: For IORPs the purpose of the solvency balancing cannot be the evaluation of a market value in case of disposal or transfer because of the specific structure and relation between employee, employer and pension fund. Delivering this kind of information for capital markets is therefore not relevant and using these valuation criteria for the control and governance of IORPs would have negative consequences. Therefore the standards for a solvency balance sheet must be in line with the existing national accounting standards, as these standards are central for internal and external accounting purposes of IORPs. The second reason for using national standards is the fundamental inadequateness of a market-consistent valuation in case of IORPs due to the specific business model, no disposal or transfer because of the specific structure and relation between employee, employer and pension fund, the nature of liabilities as well as the long-term investment strategy (see answers 13 and 14 above for an argumentation in length). In addition diverging solvency and national standards give contrary impulses to the controlling and governance of IORPs.	Noted, national GAAP mentioned in explanatory text

435.	European Federation for Retirement Provision (EFRP	16.	The EFRP is in favour of option 1 not to change the current IORP Directive on this point. There is no need to make sure that supervisory standards are compatible with accounting standards. The EFRP agrees with EIOPA´s remark that the objective of the 2 bases is too different to achieve convergence and considers that the current IAS / IFRS regulation are unfit to form the basis of a solvency regime for IORPs. It should also be noted, however, that not even international accounting standards are consistent. For example, IAS 26 (financial statements of the pension fund) and IAS 39 (financial instruments held by corporates, banks and insurance companies) allow matching or held to maturity investments to be shown at redemption value and amortized cost, respectively, rather than market value, whereas IAS 19 doesn't. EIOPA should, therefore, make clear which accounting standards are meant (local, IAS 19, IAS 26, IAS 39?).	Agreed, option 1 selected
436.	European Metalworkers Federation	16.	EMF believes that harmonization with accounting rules should not be a driver for a new IORP framework.	Agreed, option 1 selected
437.	European Mine, Chemical and Energy workers' Fede	16.	EMCEF believes that harmonization with accounting rules should not be a driver for a new IORP framework.	Agreed, option 1 selected
438.	Federation of the Dutch Pension Funds	16.	We see no need to make sure that supervisory standards are compatible with accounting standards. We agree with EIOPA's remark that the objective of the 2 bases is too different to achieve convergence. We are in favour of option 1 not to change the current IORP Directive on this point.	Agreed, option 1 selected
439.	Financial Reporting Council	16.	It is difficult to disagree with this proposal but further work should be carried out to define the expression "to the extent appropriate" to avoid divergent interpretations of what this means in practice. Caution will be needed as accounting standards are developed to	Noted

			meet the needs of a different primary audience and for different purposes than the needs and purposes of supervisors.	
440.	FNMF – Fédération Nationale de la Mutualité França	16.	FNMF does not agree on valuation principles based on market value.	Noted
441.	FNV Bondgenoten	16.	We see no need to make sure that supervisory standards are compatible with accounting standards. We agree with EIOPA's remark that the objective of the 2 bases are too different to achieve convergence. We are in favour of option 1 not to change the current IORP Directive on this point.	Agreed, option 1 selected
442.	Generali vie	16.	We support option 2 (insert text similar to recital 46 of Solvency II Directive).	Noted
443.	German Institute of Pension Actuaries (IVS\32\45\3	16.	Compatibility between accounting standards and supervisory valuation standards is essential. However, reference here is to local and not international accounting standards. In Germany, local accounting standards are the foundation for the management of an IORP, e.g. with regard to the amount and timing of surplus distribution and should therefore remain the basis for capital requirements. Deviations from local accounting requirements will lead to internal contradictions. Any changes to the existing process must be accompanied with suitable transition periods that take into account residual maturities of existing liabilities. IORPs typically do not have sufficient means to easily adjust to changes and could actually cause their windup.	Noted, national GAAP mentioned in explanatory text
444.	Groupe Consultatif Actuariel Européen.	16.	Alignment should be encouraged where possible but not pursued as an objective since the purpose of accounting standards is	Agreed, option 1 selected

			different.	
445.	Groupement Français des Bancassureurs	16.	FBIA agrees with EIOPA's proposal in option 2, to include a recital – consistent with recital 46 of the Solvency II Directive - in the IORP Directive mentioning that supervisory valuation standards should, to the appropriate extent, be compatible with accounting standards. This can, as EIOPA indicates, ensure that rules relating to accounting standards do not inappropriately impact on solvency rules.	Noted
446.	PMT-PME-Mn Services	16.	We see no need to make sure that supervisory standards are compatible with accounting standards. We agree with EIOPA's remark that the objective of the 2 bases is too different to achieve convergence. We are in favour of option 1 not to change the current IORP Directive on this point.	Agreed, option 1 selected
447.	HM Treasury/Department for Work and Pensions	16.	We do not agree to this recital. Accounting standards have a different purpose to supervisory valuation standards, so may evolve in ways that are inappropriate for these purposes.	Agreed, option 1 selected
448.	ICAEW	16.	What is the stakeholders' view on inserting a recital in the IORP Directive saying that supervisory valuation standards should, to the extent appropriate, be compatible with accounting standards? Supervisory valuation standards have a different purpose than accounting standards (which are developed for financial reporting purposes), and therefore we would oppose such a recital as we believe these regimes should be allowed to develop separately and independently. In particular, if a 'holistic balance sheet' approach is introduced as a regulatory tool, there would be no need for the components to be valued on the same basis as those required in the financial statements.	Agreed, option 1 selected

449.	Institute and Faculty of Actuaries (UK)	16.	Accounting standards were not created for funding purposes and so are not appropriate as a basis for funding. However opportunities should be sought alongside any future changes to accounting standards to align the two (although that is a matter for those responsible for setting accounting standards).	Noted
450.	KPMG LLP (UK)	16.	'To the extent appropriate' is reasonable, accepting that such extent may be very limited in practice.	Noted
451.	Le cercle des épargnants	16.	We support option 2 (insert text similar to recital 46 of Solvency II Directive).	Noted
452.	Macfarlanes LLP	16.	(CfA 5 Valuation of assets, liabilities and technical provisions) What is the stakeholders' view on inserting a recital in the IORP Directive saying that supervisory valuation standards should, to the extent appropriate, be compatible with accounting standards? Aligning supervisory valuation standards with accounting standards would be ill-advised. The accounting standards themselves are not perfect, as seen when an increase in yields for corporate AAA bonds in the credit crunch led to accounting surpluses; the surpluses generated were phantom surpluses. Legislating so as to follow accounting standards automatically would of course amount to a transfer of legislative power to the IASB.	Agreed, option 1 selected
454.	Mercer	16.	We do not see what is achieved by this. Accounting standards have different objectives from those of a prudential regulatory authority. Since insurance companies are subject to both corporate accounting standards and prudential regulation, the principle might serve some purpose in Solvency II. However,	Agreed, option 1 selected

			since IORPs are not for profit entities, it is less relevant. In particular, unless the European Commission considers a risk free discount rate similar to a corporate bond approach, the principle seems redundant. A general requirement for EIOPA and member state supervisory authorities to act proportionately and not unnecessarily impose administrative burdens on IORPs would be preferable. If EIOPA is suggesting IORPs' financial statements should be revised to encompass the holistic balance sheet, then it would be sensible if the accounting standards that apply to IORPs are amended to be consistent with the regulatory framework. However, given the uncertainty we have with measurement of, for example, employer covenant, we are not convinced that this is practicable.	
455.	MHP (Vakcentrale voor Middengroepen en Hoger Perso	16.	We see no need to make sure that supervisory standards are compatible with accounting standards. We agree with EIOPA's remark that the objective of the 2 bases is too different to achieve convergence. We are in favour of option 1 not to change the current IORP Directive on this point.	Agreed, option 1 selected
457.	National Association of Pension Funds (NAPF)	16.	What is the stakeholders' view on inserting a recital in the IORP Directive saying that supervisory valuation standards should, to the extent appropriate, be compatible with accounting standards? NAPF would strongly oppose changing valuation rules in order to establish consistency with the accounting standards for pension schemes' sponsoring organisations. Accounting standards and	Agreed, option 1 selected

			supervisory valuation standards for funding purposes have totally different purposes and are applicable to different institutions. Significantly, the pension scheme accounting standard (IAS 26 'Accounting and Reporting by Retirement Benefit Plans') does not require pension schemes to account for the employer's pensions obligation in their financial reports. IAS 19 (Employee Benefits) provides for a measure of the scheme sponsor (employer's) liability for post-employment benefits at a single point of time, consistent with the employer's other assets and liabilities. The purpose of the accounting figures is to provide users of accounts with a basis for economic decisions in relation to the company. Accounting standards do not cater well for long-term liabilities. The use of volatile market prices to measure assets and of a 'market consistent' discount rate to measure liabilities leads to a volatility in the measurement of pension liabilities, and of scheme surpluses and deficits, that does not reflect the reality of a pensions obligation that changes only gradually over time, in line with scheme demographics. Volatility has encouraged the closure of schemes that are in reality perfectly viable, to the detriment of millions of workers who will find their incomes in retirement greatly reduced, and the adoption of inappropriate investment strategies that have increased the cost of pension provision. A funding valuation is intended to provide a measure of the pensions liability consistent with the assets held to provide for it. Its purpose is to provide a measure of the adequacy of the	

			assets provide for the employer's pensions obligations as they become due. There is no reason why the accounting and funding valuations should be the same or even similar.	
459.	OECD Secretariat to the Working Party on Private P	16.	What is the stakeholders' view on inserting a recital in the IORP Directive saying that supervisory valuation standards should, to the extent appropriate, be compatible with accounting standards? The suggestions proposed by the Response differ from accounting standards in various ways (for example by proposing a risk margin, using a different discount rate, the existence of an asset ceiling under IAS 19, the use of prudent vs. best estimate assumptions, the calculation of technical provisions, etc.), so it is unclear what practical meaning any such statement would have. For a further discussion, see the OECD note "The New IAS 19 Exposure Draft" (http://www.oecd.org/dataoecd/44/56/45929995.pdf) and "Recent Developments in Pension Accounting" (http://www.oecd.org/dataoecd/60/54/40954137.pdf).	Agreed, option 1 selected

460.	Pensioenfonds Zorg en Welzijn (PFZW)	16.	We see no need to make sure that supervisory standards are compatible with accounting standards. We agree with EIOPA's remark that the objective of the 2 bases is too different to achieve convergence. We are in favour of option 1 not to change the current IORP Directive on this point.	Agreed, option 1 selected
461.	Predica	16.	Predica agrees with EIOPA's proposal in option 2, to include a recital – consistent with recital 46 of the Solvency II Directive - in the IORP Directive mentioning that supervisory valuation standards should, to the appropriate extent, be compatible with accounting standards. This can, as EIOPA indicates, ensure that rules relating to accounting standards do not inappropriately impact on solvency rules.	Noted
462.	prof.dr. A.A.J. Pelsser HonFIA, Netspar & Maastric	16.	Agree.	Noted
463.	PTK (Sweden)	16.	PTK is in favour of option 1 not to change the current IORP Directive on this point. There is no need to make sure that supervisory standards are compatible with accounting standards. The objective of the 2 bases is too different to achieve convergence.	Agreed, option 1 selected
464.	Railways Pension Trustee Company Limited ("RPTCL	16.	RPTCL opposes the insertion of such a recital. Supervisory valuation standards and accounting standards have different objectives, so aligning them increases the risk of failings in one or both of them. As an example of the risks of this, changes made to domestic	Agreed, option 1 selected

			and international accounting standards in the last decade have led to many pension scheme sponsors focusing on short-term volatility in pension scheme assets and liabilities under accounting standards, rather than focusing on the long-term nature of pension scheme liabilities. This has played a significant role in the decline of private-sector defined benefit pension provision in the UK and in other parts of the European Community. RPTCL expects that making supervisory valuation standards compatible with international accounting standards would result in even more focus being given to short-term volatility and even less focus given to long-term strategies. We therefore expect it would be of detriment to private-sector defined benefit pension provision in Europe and oppose such a measure.	
465.	Reed Elsevier Group plc	16.	Supervisory valuations and accounting valuations have different purposes so compatibility is not necessary.	Noted
467.	TCO	16.	TCO is in favour of option 1 not to change the current IORP Directive on this point. There is no need to make sure that supervisory standards are compatible with accounting standards. The objective of the 2 bases is too different to achieve convergence.	Agreed, option 1 selected
468.	Tesco PLC	16.	7. What's the stakeholder's view on inserting a recital in the IORP Directive saying that supervisory valuation standards should, to the extent appropriate, be compatible with accounting standards? We agree with EIOPA that there should not be a need for consistency in the valuation rules and support option 1, i.e. no change to the current IORP Directive.	Agreed, option 1 selected

			We believe that option 2 – as already noted by EIOPA – could create confusion by including an ambiguous statement such as making standards consistent "to the extent" possible. Over time its interpretation could change and develop into unintended requirements.	
469.	The Association of Pension Foundations (Finland)	16.	Best possible solution would be if it would be up to sponsor of pension scheme to decide whether or not valuation standards of IAS-standards is being used. Only some of pension funds are obliged to compose IAS-calculations. Some sponsors would like to decrease administrative work of doing calculation on two different ways. In that sense we are in favour of option 1. not to change IORP Directive.	Agreed, option 1 selected
470.	The Association of the Luxembourg Fund Industry (A	16.	Reported results of IORP should be reconcilable to financial reporting figures, at least for sponsor-backed IORP, for several reasons: Firstly, accounting standards require that prudential rules are taken into account in financial reporting figures. Secondly, divergences in prudential and accounting requirements increase the cost of compliance with both.	Noted
471.	The Hundred Group of Finance Directors (UK)	16.	The purposes of supervisory valuation standards and accounting standards are different, and we therefore do not see that there is a fundamental requirement for compatibility (although for practical reasons it might be desirable for similar measurements to be used). We note that, under the EIOPA proposals, the two standards would not in fact be compatible because of the different discount rates being used.	Agreed, option 1 selected

472.	The Society of Actuaries in Ireland	16.	It is our view that there would be no value to inserting a recital etc….for a number of reasons: ☐ The objectives and use of numbers between the two valuations differ and are not consistent with each other ☐ The cost savings would not be material in so far as to warrant the use of only one basis	Agreed, option 1 selected
473.	Towers Watson Deutschland GmbH	16.	We would welcome compatibility between accounting and supervisory standards under the condition of precedence of local accounting standards. In Germany, local accounting standards are the foundation for the management of an IORP, e.g. with regard to the amount and timing of surplus distribution and should therefore remain the basis for capital requirements. Deviations from local accounting requirements will lead to internal contradictions. If these are to be ignored, subsidiarity and proportionality considerations must be taken into account.	Noted, national GAAP mentioned in explanatory text
474.	Transport for London / TfL Pension Fund	16.	We would strongly oppose any changes being made to the valuation rules so that these are consistent with the accounting rules used by the sponsoring employer. These respective rules serve fundamentally different purposes for the respective organisations.	Agreed, option 1 selected
475.	UK Association of Pension Lawyers	16.	CfA 5 (Valuation of assets, liabilities and technical provisions): What is the stakeholders' view on inserting a recital in the IORP Directive saying that supervisory valuation standards should, to the extent appropriate, be compatible with accounting standards? We do not support the core premise of adapting Solvency II for	Agreed, option 1 selected

			the generality of IORPs or re-legislating for IORPs by reference to the single market or a level playing field with insurance companies without reference to whether the IORPs actually or potentially "act in a manner similar to insurance companies" or are genuinely and meaningfully competing or operating in the same market as insurance companies. See the general comments we make in relation to question 38 below. We have nonetheless provided a comment in response to the specific question raised here, in the interests of providing EIOPA with a UK technical legal perspective on this matter, but (to emphasise a point made in raised in part (2) of our general comments at the beginning of this document) our having commented on this question should not be interpreted as our having given explicit or implicit support to the proposition of applying Solvency II to the generality of IORPs. Furthermore, this comment can only be viewed as an initial thought in the absence of further consultation on the potential economic effects of Solvency II (see the concerns raised in part (3) of our general comments at the beginning of this document), and indeed in the absence of an opportunity to carry out a more detailed technical analysis of the proposals under consideration and of the likely practical consequences of implementing them (see the comments made in the last paragraph of part (1) of our general comments at the beginning of this document). With those important qualifications in mind, our comment in response to this specific question is that we agree with the views expressed in paragraph 9.3.23 that the wording does not appear to add a great deal and could cause confusion.	
476.	UNI Europa	16.	UNI Europa believes that harmonization with accounting rules should not be a driver for a new IORP framework.	Agreed, option 1 selected
477.	Universities	16.	What is the stakeholders' view on inserting a recital in the IORP	Agreed, option 1

	Superannuation Scheme (USS),		Directive saying that supervisory valuation standards should, to the extent appropriate, be compatible with accounting standards? USS would strongly oppose changing valuation rules in order to establish consistency with the accounting standards for pension schemes' sponsoring organisations. Accounting standards and supervisory valuation standards for funding purposes have totally different purposes and are applicable to different institutions. Significantly, the pension scheme accounting standard (IAS 26 'Accounting and Reporting by Retirement Benefit Plans') does not require pension schemes to account for the employer's pensions obligation in their financial reports. IAS 19 (Employee Benefits) provides for a measure of the scheme sponsor (employer)'s liability for post-employment benefits at a single point of time, consistent with the employer's other assets and liabilities. The purpose of the accounting figures is to provide users of accounts with a basis for economic decisions in relation to the company. Accounting standards do not cater well for long-term liabilities. The use of volatile market prices to measure assets and of a 'market consistent' discount rate to measure liabilities leads to a volatility in the measurement of pension liabilities, and of scheme surpluses and deficits, that does not reflect the reality of a pensions obligation that changes only gradually over time, in line with scheme demographics. Volatility has encouraged the closure of schemes that are in reality perfectly viable, to the detriment of millions of workers who will find their incomes in	selected

			retirement greatly reduced, and the adoption of inappropriate investment strategies that have increased the cost of pension provision. A funding valuation is intended to provide a measure of the pensions liability consistent with the assets held to provide for it. Its purpose is to provide a measure of the adequacy of the assets provide for the employer's pensions obligations as they become due. There is no reason why the accounting and funding valuations should be the same or even similar. Issues around accounting and funding are difficult enough without deliberately confounding the two.	
478.	Verband der Firmenpensionskassen (VFPK) e.V.	16.	The compatibility of the accounting standards with the accounting principles of the solvency requirements is necessary. Local accounting rules which are central to companies management should continue to be the basis for assessing capital requirements. A solvency balance sheet which specifies a valuation different from the local accounting rules i.e. in form of a mtm valuation or self defined stress parameters leads to contrary steering impulses and contradicts the existing risk management of the IORP. Every change in existing procedures has to allow an adquate transition period which accomodates the remaining terms of maturity of already existing commitments. When extreme changes to the valuation of existing commitments occur (i.e. Solvency II capital requirements, mtm balancing) IORPs have no adjustment options. This will ultimately lead to the destruction of the exiting IORP.	Noted, national GAAP mentioned in explanatory text

479.	VHP2 (Vakorganisatie voor middelbaar en hoger pers	16.	We see no need to make sure that supervisory standards are compatible with accounting standards. We agree with EIOPA's remark that the objective of the 2 bases is too different to achieve convergence. We are in favour of option 1 not to change the current IORP Directive on this point.	Agreed, option 1 selected
480.	Whitbread Group PLC	16.	IAS 19 accounting measures would result in a volatility in the measurement of pension scheme liabilities, which does not reflect a long-term pensions obligation. It would be inappropriate to measure pension scheme liabilities for long-term funding in line with the accounting basis.	Agreed, option 1 selected
481.	Zusatzversorgungskasse des Baugewerbes AG	16.	24. We believe that current IAS / IFRS regulation is unfit to form the basis of a solvency regime for IORPs. IORPs do not compete for investor's money and there is therefore no need to use investor related accounting rules like IAS / IFRS. IORPs should use accounting rules based on prudence and with averaging mechanisms, at least when it comes to solvency needs. 25. For industry-wide operating IORPs and their sponsoring companies no international accounting rules exist that seem to be applicable. Liability figures for each sponsoring company cannot be provided in schemes which are calculated via "collective equivalence" and partly funded / partly PAYG. Therefore we prefer option 1.	Agreed, option 1 selected
482.	Towers Watson	16.	17. What is the stakeholders' view on inserting a recital in the IORP Directive saying that supervisory valuation standards should, to the extent appropriate, be compatible with accounting standards? We agree with EIOPA's conclusion that introducing such a requirement would not be appropriate, due to the very different objectives of accounting and funding standards. In particular,	Agreed, option 1 selected

			the degree of prudence in funding valuations should be higher than is generally appropriate for accounting purposes.	
483.	OPSG (EIOPA Occupational Pensions Stakeholder Group)	17.	See question 13	Noted
484.	AbA Arbeitsgemeinschaft für betriebliche Altersver	17.	As outlined above, we do not agree that a market consistent valuation of liabilities is appropriate for IORPs and, therefore, would favour keeping Article 15 of the IORP Directive.	Noted
485.	ABVAKABO FNV	17.	In amending Article 76(1) of the Solvency II Directive, it should be noted that the term 'obligations' is not necessarily suitable for schemes that are neither pure DB nor pure DC schemes in which no explicit guarantee is provided. A provision should be made to accommodate this. We recommend replacing the word 'obligations' with 'current benefits'. We agree that Article 76(3) can be added without amendments to a new IORP Directive, as proposed by option 2. We agree that Articles 76(4) and (5) can be added as proposed	Noted. Art 76(3) selected without amendment
486.	AEIP	17.	63. AEIP rejects the idea of imposing capital requirements based on mark-to market valuation of liabilities as a general rule. However if the commission would go through with this idea, we would like to give the following comments. 64. AEIP agrees with EIOPA's view to adopt art. 76(1), 76(4) 65. We think that the valuation of liabilities based on financial data is sufficient to approach a fair value or market value. We consider the idea of "market consistency" to be directly linked to transfer values and the use of the lowest risk interst rates for discounting. We do not agree on the use of the latter. 66. 76(5) refers to art. 77. It contains the risk-free interest rate term structure and other elements that we do not support.	Noted

			The term 'obligations' is not the right term for hybrid schemes. We suggest to use instead the wording 'current benefits'.	
487.	AFPEN (France)	17.	AFPEN wants to point out that the way to calculate technical provisions should not be harmonized. As argued above, market valuation and the transfer of liabilities is not appropriate for IORPs, therefore there is no need for 1. the distinction of hedgeable and non-hedgeable risks 2. and 2. a risk marge upon the best estimate component for the calculation of technical provisions as the risk marge reflects the external cost-of-capital fraction necessary only in case of the disposal and transfer of liabilities of a IORP to another financial institution. In the end the notion of non-hedgeable risks and therefore the calculation of the best estimate plus the risk marge as cost-of-capital component only reflects the notion of the approach of a market-valuation of liabilities (see 9.3.9.) which is obvious in the case of hedgeable risks (see Solvency II, Art. 77 (4) para. 2). For these reasons AFPEN objects to all the articles related to the best-estimate calculation of technical provisions (see Solvency II, Art. 76 (5) and Art. 77-82).	Noted
489.	AMONIS OFP	17.	Do stakeholders agree with the EIOPA view to adopt Articles 76(1), (4) and (5) with appropriate amendments into a revised IORP Directive? What is the stakeholders' view on the two proposed options regarding Article 76(3)? AMONIS OFP rejects the idea of imposing capital requirements based on mark-to market valuation of liabilities as a general rule. However if the European Commission would persist with this idea, we would like to give the following comments. AMONIS OFP agrees with EIOPA's view to adopt art. 76(1),	Noted

			76(4) We think that the valuation of liabilities based on financial data is a sufficient approach to a fair value or market value for the liabilities. We consider the idea of "market consistency valuation" to be a synonym for "transfer value" and this to be regarded as the value obtained by using the lowest government bond interest rates available for discounting. We do not agree on the use of the latter. 76(5) refers to art. 77. It contains the risk-free interest rate term structure and other elements that we do not support.	
490.	ANIA – Association of Italian Insurers	17.	The ANIA agrees with EIOPA's view to incorporate Articles 76(1) and 76(5) with the appropriate amendments into the revised IORP Directive. The ANIA agrees with removing 'prudent' from Article 76(4) when including in the revised Directive for the reason that it can cause misunderstanding in a market consistent context. However, since the options regarding article 76(3) are closely related to the outcome of the valuation principle – question 14 – the ANIA refrains from taking a position before the outcome of the QIS is known.	Noted
491.	Association of British Insurers	17.	The ABI would agree to adopt the amended Article 76(1) if the long-term nature of the liabilities and fact that many pension schemes are not offered on a commercial basis were taken into account. The ABI would prefer Option 1 for the amendment of Article	Noted

			76(3) and cannot support the amended Article 76(4), as we feel that we cannot support a move to a market consistent basis of technical provisions where this implies discounting pension fund liabilities at a risk free rate. As outlined in our response to Question 14, we would need to understand how the sponsor covenant would be valued before we could accept this approach. The ABI would agree to adopt the amended Article 76(5) assuming Articles 77 to 82 are applicable with appropriate amendments.	
492.	Association of Consulting Actuaries (UK)	17.	For the reasons described in our response to question 12, we believe that it is appropriate for sponsor-backed IORPs to continue to be able to calculate technical provisions based on the yield on the corresponding assets held by the institution and the future investment returns, with a prudent margin. We do not support a "best estimate market consistent" calculation as Solvency II defines these terms. The wording in Article 76(3) is appropriate if the underlying calculations are redefined as we suggest, i.e. the factors allowed for in the calculations should be set taking account of market and other observable conditions	Noted
493.	Association of French Insurers (FFSA)	17.	33. The FFSA agrees with EIOPA's view to adopt Articles 76(1) and 76(5) with the appropriate amendments into the revised IORP Directive. Consistent with the FFSA preference for option 2 in question 14, the FFSA has a preference for option 2 requiring IORPs to calculate their technical provisions on a market consistent basis. As such, the FFSA agrees to include Article 76(3) in the revised Directive without amendments.	Agreed, option 2 selected
494.	Association of Pensioneer Trustees in Ireland	17.	See response to question 12.	Noted

495.	Assoprevidenza – Italian Association for supplemen	17.	We agree with EIOPA view to adopt art. 76(1) and 76(4) and 76(5) amended.About 76(3) we agree with Option 1	Noted
496.	Assuralia	17.	Cfr. Q. 12 The extremely short delay for responding to the technical consultation document has forced the members of Assuralia to prioritize and to focus on a number of questions. Our lack of response to this question must not be regarded as a lack of interest or opinion.	Noted
497.	BARNETT WADDINGHAM LLP	17.	We do not support the "best estimate" funding requirement, as defined by EIOPA. As explained in our response to question 12, we believe that for sponsor-backed IORPs the calculation of technical provisions should be able to allow for expected long term asset returns (with prudent margins).	Noted
498.	Belgian Association of Pension Institutions (BVPI-	17.	Do stakeholders agree with the EIOPA view to adopt Articles 76(1), (4) and (5) with appropriate amendments into a revised IORP Directive? What is the stakeholders' view on the two proposed options regarding Article 76(3)? BVPI-ABIP rejects the idea of imposing capital requirements based on mark-to market valuation of liabilities as a general rule. However if the European Commission would go through with this idea, we would like to give the following comments. BVPI-ABIP agrees with EIOPA's view to adopt art. 76(1), 76(4) We think that the valuation of liabilities based on financial data	Noted

			is sufficient to approach a fair value or market value. We consider the idea of "market consistency" to be directly linked to transfer values and the use of the lowest risk interest rates for discounting. We do not agree on the use of the latter. 76(5) refers to art. 77. It contains the risk-free interest rate term structure and other elements that we do not support.	
499.	BNP Paribas Cardif	17.	BNP Paribas Cardif agrees with EIOPA's view to adopt Articles 76(1) and 76(5) with the appropriate amendments into the revised IORP Directive. Consistent with BNP Paribas Cardif preference for option 2 in question 14, BNP Paribas Cardif has a preference for option 2 requiring IORPs to calculate their technical provisions on a market consistent basis. As such, BNP Paribas Cardif agrees to include Article 76(3) in the revised Directive without amendments.	Agreed, option 2 selected
500.	Bosch Pensionsfonds AG	17.	See under "General comment": "Sui generis" supervisory system for IORPs.	Noted
501.	Bosch-Group	17.	See under "General comment": "Sui generis" supervisory system for IORPs.	Noted
502.	BT Pension Scheme Management Ltd	17.	On Article 76(1) and (5) we support the proposals. On Article 76(4) we would strongly favour retaining the concept of prudence. This maintains a focus on professional judgement in valuations. Since valuation must be an art rather than a science over the timeframes on which IORPs operate, we believe that retaining scope for professional judgement is vital, as is	Noted

			retaining the requirement of prudence. On the question of Article 76(3), consistent with our response to question 14, we would favour option 1 as we believe that a move to full cash flow replication is an unnecessary step for IORPs, particularly those with the benefit of sponsor covenants and pension payment guarantee vehicles.	
503.	CEA	17.	The CEA agrees with EIOPA's view to incorporate Articles 76(1) and 76(5) with the appropriate amendments into the revised IORP Directive. The CEA agrees with removing 'prudent' from Article 76(4) when including in the revised Directive for the reason that it can cause misunderstanding in a market consistent context. However, since the options regarding article 76(3) are closely related to the outcome of the valuation principle – question 14 – the CEA refrains from taking a position before the outcome of the QIS is known.	Noted
504.	Charles CRONIN	17.	I support the proposals to the adopt Articles 76(1), (4) and (5) relating to general technical provisions from Solvency II into the new IORP noting the amendments to replace the word "insurance, reinsurance and policy holders", with "IORPs and members" in part 1, the removal of the word "prudent" from part 4, and appropriate amendments in part 5 following correct references relevant Articles elsewhere. As regards the inclusion of Article 76(3), I support EIOPA's option 1, amending the Article to read "The calculation of technical provisions shall make use of information provided by the financial markets and generally available data on underwriting risks".	Noted

505.	Chris Barnard	17.	I agree that Articles 76(1), (4) and (5) should be adopted, with appropriate amendments as suggested, into a revised IORP Directive. Regarding Article 76(3), I would support option 2. This would include Article 76(3) in a revised IORP Directive without amendment. This would then be internally consistent with a market-consistent valuation of assets and liabilities.	Agreed, option 2 selected
506.	CMHF (Centrale van Middelbare en Hogere Functionar	17.	In amending Article 76(1) of the Solvency II Directive, it should be noted that the term 'obligations' is not necessarily suitable for schemes that are neither pure DB nor pure DC schemes in which no explicit guarantee is provided. A provision should be made to accommodate this. We recommend replacing the word 'obligations' with 'current benefits'. We agree that Article 76(3) can be added without amendments to a new IORP Directive, as proposed by option 2. We agree that Articles 76(4) and (5) can be added as proposed	Noted. Option 2 selected
507.	De Unie (Vakorganisatie voor werk, inkomen en loop	17.	In amending Article 76(1) of the Solvency II Directive, it should be noted that the term 'obligations' is not necessarily suitable for schemes that are neither pure DB nor pure DC schemes in which no explicit guarantee is provided. A provision should be made to accommodate this. We recommend replacing the word 'obligations' with 'current benefits'. We agree that Article 76(3) can be added without amendments to a new IORP Directive, as proposed by option 2. We agree that Articles 76(4) and (5) can be added as proposed	Noted. Option 2 selected
508.	Derek Scott of D&L Scott	17.	No. Given the severe limitations of mark-to-market (see, for example, 13. above) this market "consistency" should be resisted.	Noted

509.	DHL NL (Netherlands)	17.	As mentioned before we do not support "Transfer pricing" as a valuation method for liabilities.	Noted
510.	Direction Générale du Trésor, Ministère des financ	17.	For the sake of consistency between IORPs, we are in favour of option 2, keeping the explicit mention of "market consistency".	Noted
511.	Ecie vie	17.	We agree with the EIOPA view to adopt art 76(1),(4) and 76 (5). We prefer option 2 regarding 73(3) : technical provisions based on a market consistent basis.	Agreed, option 2 selected
512.	European Association of Public Sector Pension Inst	17.	Do stakeholders agree with the EIOPA view to adopt Articles 76(1), (4) and (5) with appropriate amendments into a revised IORP Directive? What is the stakeholders' view on the two proposed options regarding Article 76(3)? EAPSPI wants to point out that the way to calculate technical provisions should not be harmonized. As argued above (14) market valuation and the transfer of liabilities is not appropriate for IORPs, therefore there is no need for 1. the distinction of hedgeable and non-hedgeable risks and 2. a risk margin upon the best estimate component for the calculation of technical provisions as the risk margin reflects the external cost-of-capital fraction necessary only in case of the disposal and transfer of liabilities of a IORP to another financial institution. In the end the notion of non-hedgeable risks and therefore the calculation of the best estimate plus the risk margin as cost-of-capital component only reflects the notion of the approach of a market-valuation of liabilities (see 9.3.9.) which is obvious in the case of hedgeable risks (see Solvency II, Art. 77 (4) para. 2). For these reasons EAPSPI objects to all the articles related to the best-	Noted

			estimate calculation of technical provisions (see Solvency II, Art. 76 (5) and Art. 77-82).	
513.	European Federation for Retirement Provision (EFRP	17.	In amending Article 76(1) of the Solvency II Directive, it should be noted that the term 'obligations' is not necessarily suitable for hybrid schemes in which no explicit guarantee is provided. A provision should be made to accommodate this. We recommend replacing the word 'obligations' with 'current benefits'. We agree that Articles 76(4) and (5) can be added as proposed. With respect to Article 76(3), the EFRP wants to point out that the manner in which liabilities are valued, definitely should not be harmonized (see question 21). The valuation of liabilities could be market consistent, but market consistent can be added without amendments to a new IORP Directive, as proposed by option 2. The EFRP agrees that Articles 76(4) and (5) can be added as proposed.	Noted. Option 2 selected
514.	Federation of the Dutch Pension Funds	17.	In amending Article 76(1) of the Solvency II Directive, it should be noted that the term 'obligations' is not necessarily suitable for schemes that are neither pure DB nor pure DC schemes in which no explicit guarantee is provided. A provision should be made to accommodate this. We recommend replacing the word 'obligations' with 'current benefits'. We agree that Article 76(3) can be added without amendments to a new IORP Directive, as proposed by option 2. We agree that Articles 76(4) and (5) can be added as proposed	Noted. Option 2 selected
515.	Financial Reporting Council	17.	It appears reasonable to adopt Articles 76(1), (4) and (5).	Noted

			Our view is that option 1 regarding Article 76(3) should be recommended to the EC for the reasons we give in our response to question 14.	
516.	FNMF – Fédération Nationale de la Mutualité França	17.	FNMF does not agree on valuation principles based on market value.	Noted
517.	FNV Bondgenoten	17.	In amending Article 76(1) of the Solvency II Directive, it should be noted that the term 'obligations' is not necessarily suitable for schemes that are neither pure DB nor pure DC schemes in which no explicit guarantee is provided. A provision should be made to accommodate this. We recommend replacing the word 'obligations' with 'current benefits'. We agree that Article 76(3) can be added without amendments to a new IORP Directive, as proposed by option 2. We agree that Articles 76(4) and (5) can be added as proposed	Noted. Option 2 selected
518.	Generali vie	17.	We agree with the EIOPA view to adopt art 76(1),(4) and 76 (5). We prefer option 2 regarding 73(3) : technical provisions based on a market consistent basis.	Agreed, option 2 selected
519.	German Institute of Pension Actuaries (IVS\32\45\3	17.	A market valuation is inappropriate for German IORPs; see answers to questions 12-14.	Noted
520.	Groupe Consultatif Actuariel Européen.	17.	There does not appear to be any universally accepted definition of market consistency – even in insurance (for Solvency II) the definition has been blurred by frequent amendments to accommodate numerous practical features which were not within the scope of the pure definition of market consistency. We would therefore encourage a similar, but separate, bespoke	Noted

			development of a practical definition of market consistency for IORPs, given the generally much longer average time horizon of the liabilities and other differences compared with insurance.	
521.	Groupement Français des Bancassureurs	17.	FBIA agrees with EIOPA's view to adopt Articles 76(1) and 76(5) with the appropriate amendments into the revised IORP Directive. Consistent with FBIA preference for option 2 in question 14, FBIA has a preference for option 2 requiring IORPs to calculate their technical provisions on a market consistent basis. As such, FBIA agrees to include Article 76(3) in the revised Directive without amendments.	Agreed, option 2 selected
522.	PMT-PME-Mn Services	17.	In amending Article 76(1) of the Solvency II Directive, it should be noted that the term 'obligations' is not necessarily suitable for schemes that are neither pure DB nor pure DC schemes in which no explicit guarantee is provided. A provision should be made to accommodate this. We recommend replacing the word 'obligations' with 'current benefits'. We agree that Article 76(3) can be added without amendments to a new IORP Directive, as proposed by option 2. We agree that Articles 76(4) and (5) can be added as proposed	Noted. Option 2 selected
523.	HM Treasury/Department for Work and Pensions	17.	The application of 76(1) is not problematic in itself as a stand-alone amendment, although the language on "insurance and reinsurance obligations" would need to be amended as well as language on "insurers" and "policy-holders" to avoid treating pensions as insurance products. On article 76/3, we strongly disagree with the introduction of market consistency for the valuation of technical provisions. The concept of transfer value is not appropriate for occupational pension funds (see above). But, any market-consistent valuation	Noted

			method will inevitably introduce a high level of volatility into pension fund balance sheets that does not reflect changes to the risk to the scheme members (artificial volatility). This is likely to have very profound effects on the investment behaviour of pension funds (eg. pushing them away from investment in equities), with a significant knock-on effect on the availability of equity capital, and ultimately on economic growth. Therefore we strongly reject option 2. Furthermore, it is not clear that there is any market information that is relevant to establishing the level of technical provisions, other than that necessary to determine the discount rate. We cannot therefore see the purpose of introducing 76(3) option 1. On 76(5), this would require calculation of technical provisions under a harmonised methodology. The current Directive is fully consistent with actuarial practice, and allows for the adjustments necessary to take into account the different national legislative requirements underpinning the pensions promise (for example, national legislation governing uprating requirements, which impact significantly on technical provisions). A harmonised, centrally prescribed, approach is not appropriate given that the nature of pensions liabilities are a function of national legislation which differs greatly between Member States.	
524.	Institute and Faculty of Actuaries (UK)	17.	If a Solvency II approach is to apply as per articles 77 to 82 then this is the correct procedure. It does of course depend upon if and how many of articles 77 to 82, and 86, are to be imported. We would encourage a selective approach, to avoid unnecessary complexity. This will clearly require very detailed consideration.	Noted
525.	KPMG LLP (UK)	17.	This assumes that Solvency II is to be adopted into the IORP	Noted

			directive – and we consider that higher-level consideration of this question needs to happen before answering such detail.	
526.	Le cercle des épargnants	17.	We agree with the EIOPA view to adopt art 76(1),(4) and 76 (5). We prefer option 2 regarding 73(3) : technical provisions based on a market consistent basis.	Agreed, option 2 selected
527.	Macfarlanes LLP	17.	(CfA 5 Valuation of assets, liabilities and technical provisions) Do stakeholders agree with the EIOPA view to adopt Articles 76(1), (4) and (5) with appropriate amendments into a revised IORP Directive? What is the stakeholders' view on the two proposed options regarding Article 76(3)? We do not agree that reference to prudence in the calculation of technical provisions should be removed. Company pension schemes are based on a variety of factors which are specific to the scheme and employer concerned; established trust law and regulation within the UK places the judgment of the parties as to what is prudent in their particular circumstantiates at the heart of decision making. Removing prudence as a concept influencing decision-making is unnecessary; it would be detrimental to the UK legal and regulatory system, and reduces necessary flexibility.	Noted
529.	Mercer	17.	If Article 15 is retained, then we cannot see the purpose of also transposing Article 76 of Solvency II into the IORP Directive. However, for consistency, the EC might prefer that rather than retaining the opening sections of Article 15, subparagraphs (1), (3) and (4) are substituted.	Noted

			However, if Option 2 of question 14 is adopted, then we can see that these parts of Article 76 follow logically.	
530.	MHP (Vakcentrale voor Middengroepen en Hoger Perso	17.	In amending Article 76(1) of the Solvency II Directive, it should be noted that the term 'obligations' is not necessarily suitable for schemes that are neither pure DB nor pure DC schemes in which no explicit guarantee is provided. A provision should be made to accommodate this. We recommend replacing the word 'obligations' with 'current benefits'. We agree that Article 76(3) can be added without amendments to a new IORP Directive, as proposed by option 2. We agree that Articles 76(4) and (5) can be added as proposed	Noted. Option 2 selected
532.	National Association of Pension Funds (NAPF)	17.	Do stakeholders agree with the EIOPA view to adopt Articles 76(1), (4) and (5) with appropriate amendments into a revised IORP Directive? What is the stakeholders' view on the two proposed options regarding Article 76(3)? The meaning of Article 76(1) – that IORPs should establish technical provisions with regard to all their obligations – is already covered in Article 15(1) of the IORP Directive. There is, therefore, no need for any change. EIOPA's suggestion that Article 76(4) should be incorporated (minus the reference to 'prudent'), so that it requires technical provisions to be calculated in a 'reliable and objective' manner, appears reasonable, although the it is difficult to see what practical benefit it would deliver. The NAPF argues that this should be substantiated first.	Noted

			Article 76(5) is a consequential drafting matter – no comment needed.	
534.	OECD Secretariat to the Working Party on Private P	17.		
535.	Pan-European Insurance Forum (PEIF)	17.	Assuming that Solvency II is the model to follow, then PEIF supports. However, please see opening general comments. In any event, the regimes for IORPs and insurers should be consistent.	Noted
536.	Pensioen Stichting Transport (Netherlands)	17.	As mentioned before we do not support "Transfer pricing" as a valuation method for liabilities.	Noted
537.	Pensioenfonds Zorg en Welzijn (PFZW)	17.	In amending Article 76(1) of the Solvency II Directive, it should be noted that the term 'obligations' is not necessarily suitable for schemes that are neither pure DB nor pure DC schemes in which no explicit guarantee is provided. A provision should be made to accommodate this. We recommend replacing the word 'obligations' with 'current benefits'. We agree that Article 76(3) can be added without amendments to a new IORP Directive, as proposed by option 2. We agree that Articles 76(4) and (5) can be added as proposed.	Noted. Option 2 selected.
538.	Predica	17.	Predica agrees with EIOPA's view to adopt Articles 76(1) and 76(5) with the appropriate amendments into the revised IORP Directive. Consistent with Predica preference for option 2 in question 14, Predica has a preference for option 2 requiring IORPs to	Agreed, option 2 selected

			calculate their technical provisions on a market consistent basis. As such, Predica agrees to include Article 76(3) in the revised Directive without amendments.	
539.	prof.dr. A.A.J. Pelsser HonFIA, Netspar & Maastric	17.	Agree to adopt 76(1), (4) and (5). Choose option 2: require IORPs to calculate their technical provisions on a market consistent basis.	Agreed, option 2 selected
540.	PTK (Sweden)	17.		
541.	Railways Pension Trustee Company Limited ("RPTCL	17.	We have not considered this question.	
542.	The Association of Pension Foundations (Finland)	17.	Article 76 (1) resembles with IORP article 15 (1). Therefore there is no obstacles. EIOPAS suggestion of Article 76 (4) is also applicaple. Starting point that valuation of pension fund liabilities would not be based on market assumptions is very important. Market consistent valuation makes rapid changes in liabilities and therefore it would be very undesirable and very harmful for pension funds. Market consistent valuation would lead dismantling process of pension funds and growing expenses. Proposed wording without any link in market consistence is acceptable.	Noted
543.	The Association of the Luxembourg Fund Industry (A	17.	In amending Article 76(1) of the Solvency II Directive, it should be noted that the term 'obligations' is not necessarily suitable for hybrid schemes in which no explicit guarantee is provided. A provision should be made to accommodate this. The Respondents agree with EFRP and recommend replacing the word 'obligations' with 'current benefits'. The Respondents agree that Articles 76(4) and (5) can be added	Noted

			as proposed. With respect to Article 76(3), the requirement to “make use of information provided by the financial markets” should be subject to a test of proportionality of the effort required to implement such an approach. For smaller funds in a small country data availability and cost of implementation of such an approach are major issues. Subject to this provision, option 1 may be acceptable, but option 2 should be rejected.	
544.	The Society of Actuaries in Ireland	17.	We agree with EIOPAs view to adopt Articles 76(1), (4) and (5) with appropriate amendments into a revised IORP Directive. For Article 76(3), we advocate Option 2 (no amendment to the IORP Directive) – but at the same time highlighting only if “market consistency” does not automatically imply the use of risk-free rate. We would support the view that the calculation of technical provisions should make use of and be consistent with the information provided by financial markets i.e. allow for a risk premium on investment growth assets which does not automatically imply the use of risk-free rate.	Noted. Option 2 selected
545.	Towers Watson Deutschland GmbH	17.	We agree, in principle, if EIOPA’s interpretation takes due account of an IORP’s special characteristics. For example: Article 76 (4) is consistent with the current IORP Directive, although “prudent” would have to be interpreted in a manner commensurate with an IORP. The same goes for the interpretation of “make use of” in Article 76(3).	Noted

			In our view, option 1 is the preferred approach in relation to Article 76(3). We do not see option 1 as precluding a market-consistent approach to valuing liabilities, if that is what is desired. Rather, option 1 would facilitate appropriate adjustments to financial market information where such information is considered to be distorted (such as in times of extreme market stress).	
546.	Trades Union Congress (TUC)	17.	Do stakeholders agree with the EIOPA view to adopt Articles 76(1), (4) and (5) with appropriate amendments into a revised IORP Directive? What is the stakeholders' view on the two proposed options regarding Article 76(3)? Regarding 76(1), we do not see the need for this as IORPs are already required to provide technical provisions by Article 15(1) of the IORP Directive. We do not regard it as necessary remove the word 'prudent' from the text of Article 76(4) as this text already seems reasonable.	Noted
547.	Transport for London / TfL Pension Fund	17.	There is no need to adopt Article 76(1) as the obligations are already covered by Article 15 (1), so a change is not needed. Article 76 (4) amended to require technical provisions to be calculated in a "reliable and objective" manner is a reasonable statement, but its practical purpose needs explaining.	Noted
548.	UK Association of Pension Lawyers	17.	CfA 5 (Valuation of assets, liabilities and technical provisions): Do stakeholders agree with the EIOPA view to adopt Articles 17(1), (4) and (5) with appropriate amendments into a revised	Note

			IORP Directive? What is the stakeholders' view on the two options regarding Article 76(3)? We do not support the core premise of adapting Solvency II for the generality of IORPs or re-legislating for IORPs by reference to the single market or a level playing field with insurance companies without reference to whether the IORPs actually or potentially "act in a manner similar to insurance companies" or are genuinely and meaningfully competing or operating in the same market as insurance companies. See the general comments we make in relation to question 38 below. We have nonetheless provided a comment in response to the specific question raised here, in the interests of providing EIOPA with a UK technical legal perspective on this matter, but (to emphasise a point made in raised in part (2) of our general comments at the beginning of this document) our having commented on this question should not be interpreted as our having given explicit or implicit support to the proposition of applying Solvency II to the generality of IORPs. Furthermore, this comment can only be viewed as an initial thought in the absence of further consultation on the potential economic effects of Solvency II (see the concerns raised in part (3) of our general comments at the beginning of this document), and indeed in the absence of an opportunity to carry out a more detailed technical analysis of the proposals under consideration and of the likely practical consequences of implementing them (see the comments made in the last paragraph of part (1) of our general comments at the beginning of this document). With those important qualifications in mind, our comment in response to this specific question is that Article 76 provides a framework which is relevant to insurance and re-insurance undertakings and widening it to IORPs would be to extend it to financial structures which are quite different. One size does not	

			fit all.	
549.	Universities Superannuation Scheme (USS),	17.	Do stakeholders agree with the EIOPA view to adopt Articles 76(1), (4) and (5) with appropriate amendments into a revised IORP Directive? What is the stakeholders' view on the two proposed options regarding Article 76(3)?	
550.	Verband der Firmenpensionskassen (VFPK) e.V.	17.	The application of Article 76 (5) in combination with Art. 77 – 82 for the calculation of the actuarial provision based on a market consistent balance sheet valuation as decribed above should be rejected.	Noted
551.	VHP2 (Vakorganisatie voor middelbaar en hoger pers	17.	In amending Article 76(1) of the Solvency II Directive, it should be noted that the term 'obligations' is not necessarily suitable for schemes that are neither pure DB nor pure DC schemes in which no explicit guarantee is provided. A provision should be made to accommodate this. We recommend replacing the word 'obligations' with 'current benefits'. We agree that Article 76(3) can be added without amendments to a new IORP Directive, as proposed by option 2. We agree that Articles 76(4) and (5) can be added as proposed	Noted. Option 2 selected
552.	Whitbread Group PLC	17.	If "market consistency" is meant to mean that risk free interests rates should be used for Technical Provisions, we do not support this	Noted
553.	Zusatzversorgungskasse des Baugewerbes AG	17.	26. We reject the idea of imposing capital requirements based on mark-to market valuation of liabilities. However if the commission would go through with this idea, we would like to give the following comment on art. 76: 27. 76(5) refers to art. 77. It contains the risk-free interest rate term structure and other elements that we reject. 28. The term 'obligations' is not the right term for hybrid	Noted

			schemes. We suggest to use instead the wording 'current benefits'.	
554.	Towers Watson	17.	18. Do stakeholders agree with the EIOPA view to adopt Articles 76(1), (4) and (5) with appropriate amendments into a revised IORP Directive? What is the stakeholders' view on the two proposed options regarding Article 76(3)? We have no concerns with Article 76(1) being applied to IORPs. Article 76(4) is appropriate for IORPs in principle. The "prudent" requirement is consistent with the current IORP Directive, but if a market-consistent approach were adopted for valuing liabilities of IORPs, EIOPA notes that the starting point will be a best estimate. We do not consider that a valuation of liabilities using risk-free discount rates represents a best estimate, even if there is no observable margin in the liability cash flows. Hence a market-consistent approach is not necessarily inconsistent with the "prudent" requirement. However, we would be comfortable with the removal of the reference to "prudent" in Article 76(4) for IORPs. Article 76(5): issues relating to Articles 77-82 and 86 are covered in later questions. Article 76(3): we have concerns that "make use of…information provided by the financial markets" might be open to differing interpretations. We do not think that this requirement is intended to mean that technical provisions should necessarily adopt market-based assumptions in all situations, particularly if option 1 is adopted for the starting principle for valuing liabilities (see question 14), so changing the text to "have regard to…information provided by the financial markets" would address our concern. In our view, option 1 is the preferred approach in relation to	Noted

			Article 76(3). We do not see option 1 as precluding a market-consistent approach to valuing liabilities, if that is what is desired. Rather, option 1 would facilitate appropriate adjustments to financial market information where such information is considered to be distorted (such as in times of extreme market stress).	
555.	OPSG (EIOPA Occupational Pensions Stakeholder Group)	18.	See question 13	Noted
556.	AbA Arbeitsgemeinschaft für betriebliche Altersver	18.	As outlined above, it is not appropriate nor economically efficient to incorporate a risk margin in the valuation of technical reserves as a provision for the compensation of a potential future "buyer" of the liabilities. In the event of a change of ownership (employer), it is up to the two parties to agree on a price that is fair at the time. In our opinion, there is no need to anticipate a change of ownership (employer; no change of IORP ownership takes place in a mutual undertaking, even if the sponsor company receives a new owner) in advance, as the frequency of this event happening is very low. Locking away valuable investment capital in low interest bearing securities for this purpose would be a very inefficient use of capital. We also reject the inclusion of an explicit risk margin in the valuation of liabilities. The valuation assumptions, as determined by the Appointed Actuary, should reflect long-term expectations and be prudent. These may need to be changed from time to time if experience differs significantly from the assumptions, but frequent short-term changes to the assumptions lead to volatile funding requirements that are neither in the interests of the sponsoring employer nor the members. We would, therefore, favour keeping Article 15 of the IORP Directive.	Noted

557.	ABVAKABO FNV	18.	We are in favour of option 3. Adverse deviations of the assumptions should not be part of the value of the technical provisions, but should be covered by own funds.	Noted
558.	AEIP	18.	67. AEIP rejects the idea of imposing capital requirements by asking for a risk margin as a general rule. AEIP prefers option 3. Only when there are in the member states no regulated own funds, option 1 is valid, an explicit risk margin to cover adverse deviations from assumptions.	Noted
559.	AFPEN (France)	18.	95. The risk marge upon the best estimate component for the calculation of technical provisions reflects the external cost-of-capital fraction necessary only in case of the disposal and transfer of liabilities of a IORP to another financial institution. This is not relevant for IORPs as liabilities are not sold and there is no market. Hence no external capital premium is needed. 96. And a additional and explicit risk marge as additional security buffer against wrong assumptions in the calculation of technical provisions is not necessary if the best estimate concept is not implemented. Within the existing provisions of the IORP Directive (Art. 15 and 16) the prudent calculation principles are sufficient.	Noted
561.	AMICE	18.	11. As indicated in the introduction, AMICE thinks that all types of pension schemes should benefit from the same level of protection. The technical provisions should consist of a Best Estimate and a risk margin, as in Solvency II.	Noted
562.	AMONIS OFP	18.	What is the stakeholders' view on the three options regarding the inclusion and calculation of a risk margin as introduced by Article 77? AMONIS OFP rejects the idea of imposing capital requirements based on mark-to market valuation of liabilities as a general	Noted

			rule. However if the European Commission persist with this idea, we would like to give the following comments. The liabilities should be a best estimate of the actual future cash flows and should subsequently not contain any additional margins to account for any kind of risk or deviations for parameter values. Additional margins should be incorporated in the SCR.	
563.	ANIA – Association of Italian Insurers	18.	Since the three options regarding the inclusion of a risk margin as introduced by article 77 are closely related to the decision of the primary valuation principle – question 14 – the ANIA refrains from taking a position before the outcome of the QIS is known.	Noted
564.	Association of British Insurers	18.	The ABI feels that since the options presented by EIOPA regarding the risk margin are closely related to the decision around the primary valuation principle in Question 14 we cannot comment on the approach that should be taken.	Noted
565.	Association of Consulting Actuaries (UK)	18.	We strongly prefer Option 1, to maintain the current rules of the IORP Directive. This is in line with the approach successfully used for pension schemes in the UK, where technical provisions may be based on expected asset returns, with a prudent estimate of these assumptions as a risk buffer, and where there is additional protection for members through the Pension Protection Fund. We do not agree with the calculation of technical provisions underlying Option 2. It is unworkable because it is unaffordable. As described in the paper it will also result in volatile funding levels. It will also cause major disruption in the securities markets, with many IORPs selling equities, causing difficulties	Noted

			for companies in raising finance, and creating excessive demand for bonds. We believe a version of the Option 3 could be of interest but that it would need considerable adaption such as: -the detailed implementation should be left to Member States (and not prescribed on a pan-European "one size fits all" basis). - "Level A" technical provisions (a new term which the consultation proposes be assessed on a risk-free basis to be prescribed in detail by the EU, a process not without difficulty in current market conditions) could in many jurisdictions simply be benchmarked to insurance buyout rates for all of the IORP's accrued non-conditional benefits as an adequate proxy, with the details left to the Member States. -Level A technical provisions would be used only as a disclosure item with no associated capital requirements. The funding target would thus be "Level B" technical provisions which, as proposed, would be assessed using a discount rate based on expected investment return, the detailed implementation of which would be left to Member States.	
566.	Association of French Insurers (FFSA)	18.	The FFSA supports option 2, to include a risk margin in the technical provisions, calculated according to Solvency II, Article 77(4). This is consistent with Solvency II-type transfer value approach. As EIOPA indicates, this measure will allow for a better comparability of technical provisions between IORPs and between IORPs and insurance undertakings and as a result increase harmonization.	Noted
567.	Association of Pensioneer Trustees in Ireland	18.	See response to question 12.	Noted
568.	Assoprevidenza – Italian	18.	We agree with Option 1	Noted

	Association for supplemen			
569.	Assuralia	18.	Cfr. Q. 12 The extremely short delay for responding to the technical consultation document has forced the members of Assuralia to prioritize and to focus on a number of questions. Our lack of response to this question must not be regarded as a lack of interest or opinion.	Noted
570.	Balfour Beatty plc	18.	What is the stakeholders' view on the three options regarding the inclusion and calculation of a risk margin as introduced by Article 77? Option 1 is valid if no changes are made to the current IORP approach to valuing liabilities, whereas options 2/3 are valid if a market-consistent approach is adopted to valuing liabilities. This is essentially the same point as how liabilities should be valued. As stated above, we have serious concerns about any market-consistent valuation of liabilities. We expect that Option 2 would lead to a very significant increase in technical provisions (including the risk margin) for most UK IORPs. UK IORPs are not able to reduce members' benefits in the event of serious underfunding, nor can they raise capital independently of the sponsor. Any increase in the funding requirement placed on IORPs therefore directly impacts on the covenant of the sponsoring employer.	Noted

			Option 3 has the appeal of having a lower impact on IORPs' funding requirements, but seems to have little objective merit. In our opinion, it would be appropriate to set a long-term funding objective for IORPs based on a prudent assessment of the value of the liabilities, as is currently the case under the existing IORP directive. We therefore support option 1.	
571.	Belgian Association of Pension Institutions (BVPI-	18.	What is the stakeholders' view on the three options regarding the inclusion and calculation of a risk margin as introduced by Article 77? BVPI-ABIP rejects the idea of imposing capital requirements based on mark-to market valuation of liabilities as a general rule. However if the European Commission would go through with this idea, we would like to give the following comments. The valuation assumptions should reflect long-term expectations and be prudent. These may need to be changed from time to time if experience difference signifanctly from the assumptions, but frequent short-term changes to the assumptions lead to volatile funding requirements that are neither in the interests of the sponsoring undertaking nor the members. We would therefore, be in favour of keeping article 15 of the IORP directive.	Noted
572.	BNP Paribas Cardif	18.	BNP Paribas Cardif supports option 2, to include a risk margin in	Noted

			the technical provisions, calculated according to Solvency II, Article 77(4). This is consistent with Solvency II-type transfer value approach. As EIOPA indicates, this measure will allow for a better comparability of technical provisions between IORPs and between IORPs and insurance undertakings and as a result increase harmonization.	
573.	Bosch Pensionsfonds AG	18.	See under "General comment": "Sui generis" supervisory system for IORPs.	Noted
574.	Bosch-Group	18.	See under "General comment": "Sui generis" supervisory system for IORPs.	Noted
575.	BT Group plc	18.	What is the stakeholders' view on the three options regarding the inclusion and calculation of a risk margin as introduced by Article 77? The current IORP directive requires prudent reserves to be held to back liabilities. There is no clear justification provided of any reason to amend this approach. Introducing extra margins would be adding prudence on an already prudent approach .	Noted
576.	BT Pension Scheme Management Ltd	18.	On the issue of the inclusion of a risk-free rate, consistent with our answers above we would oppose Option 2, which as EIOPA notes fits with the liquidation approach to IORPs that we do not believe is appropriate given the economic cost of requiring a valuation based on the possibility of immediate liquidation of assets held to spread the cost burden of liabilities over long periods of times. We would be content with either Option 1 or 3 but would on the whole favour 3, especially as valuations will necessarily involve professional judgements and so will already include implicit risk margins.	Noted

			On the question of the calculation of the risk margin, again we believe that Option 2 is inappropriate as we do not believe the risk free rate is a relevant number on the time-frames over which IORPs invest, and therefore strongly oppose it. Of the other two options, we favour Option 1, maintaining the risk margin calculation as currently in the IORP directive, which as EIOPA states is the most consistent with asset liability matching, which is the prudent long-term approach of most IORPs.	
577.	CEA	18.	Since the three options regarding the inclusion of a risk margin as introduced by article 77 are closely related to the decision of the primary valuation principle – question 14 – the CEA refrains from taking a position before the outcome of the QIS is known.	Noted
578.	Charles CRONIN	18.	I believe that the introduction of a risk margin would be a positive enhancement to the calculation of IORP technical provisions. The risk margin could be the sum of single risks, such as an adverse investment return, certain conditional liabilities (see answer to question 23) and risk of sponsor default (see answer to question 33). Of EIOPA's three options on the existence and method for calculating a risk margin I would support option 1. Extending the thoughts offered in my answer to question 21 that calls for a smoothed discount factor in the valuing of liabilities. If the best estimate of the discount factor was based on an average yield described below, the risk margin could be developed by using an adverse standard deviation factor on that average. The overall effect would be to produce a larger risk margin for schemes with long life expectancies, which declines as the average life expectancy decline as certainty increases.	Noted

			Other material issues need to be considered, (1) There is a shortage of cash debt instruments that can replicate the duration of cash flows for many schemes, hence the use of synthetic instruments by these schemes which carry counterparty risk. (2) Using the 'current' risk free rate is not compatible with scheme investment strategies and not practical given the current interest environment.	
579.	Chris Barnard	18.	I would support option 2, that the risk margin in technical provisions should be calculated according to Solvency II. This is internally consistent with the Solvency II-like, market-consistent approach to the calculation of technical provisions. This would lead to more consistency in supervisory standards, and comparability of technical provisions, between IORPs and insurance companies, and more comparability of technical provisions between different IORPs.	Noted
580.	CMHF (Centrale van Middelbare en Hogere Functionar	18.	We are in favour of option 3. Adverse deviations of the assumptions should not be part of the value of the technical provisions, but should be covered by own funds.	Noted
581.	De Unie (Vakorganisatie voor werk, inkomen en loop	18.	We are in favour of option 3. Adverse deviations of the assumptions should not be part of the value of the technical provisions, but should be covered by own funds.	Noted
582.	Derek Scott of D&L Scott	18.	Risk-free discount rates derived from markets distorted by quantitative easing and other issues of restricted supply and regulated demand suggest this area needs further work, with input from both the actuarial profession and market participants. I do not consider it appropriate, for example, to introduce a separate risk margin, as this would add significant prudence to already prudent technical provisions. I also reject the concept of a separate pensions risk margin,	Noted

			which may be suitable for insurance companies. It is not appropriate for UK defined benefit pension schemes due to the inherent differences between insurance companies and UK defined benefit pension schemes, such as the regulatory attention to schemes' covenants and the funded-by-levy compensation regime of the UK Pensions Protection Fund.	
583.	DHL Services Limited	18.	What is the stakeholders' view on the three options regarding the inclusion and calculation of a risk margin as introduced by Article 77? If one of these options has to be selected, then option 1 should be chosen, i.e. 'explicit risk margin in technical provisions calculated according to the current IORP directive'. This is the closest to the current situation, where technical provisions are calculated on a prudent basis. The separate disclosure of the risk margin as an explicit rather than implicit item may provide useful information to trustees and companies; however, this option should not lead to a different overall assessment of technical provisions to that applying at present.	Noted
584.	DHL Trustees Limited	18.	What is the stakeholders' view on the three options regarding the inclusion and calculation of a risk margin as introduced by Article 77? If one of these options has to be selected, then option 1 should be chosen, i.e. 'explicit risk margin in technical provisions calculated according to the current IORP directive'. This is the closest to the current situation, where technical provisions are calculated on a prudent basis. The separate disclosure of the risk	Noted

			margin as an explicit rather than implicit item may provide useful information to trustees and companies; however, this option should not lead to a different overall assessment of technical provisions to that applying at present.	
585.	Direction Générale du Trésor, Ministère des financ	18.	We think that only Option 2 (risk margin calculated according to Solvency II principles) allows for comparability amongst IORPs, and achieves the market consistency. Therefore we favour Option 2. We strongly disagree with Option 3, which would not achieve the conditions of a proper and secure run-off of liabilities when capital buffers are reduced to nil (protection of members and beneficiaries).	Noted
586.	Ecie vie	18.	We support option 2 : use of the transfer value in the meaning of Solvency II for calculating technical provisions.	Noted
587.	EEF	18.	We urge EIOPA not to recommend to the Commission the additional solvency hurdle of a risk margin. EEF disputes the need for one; it is a concept more applicable to insurance than pension products, where the risk profile is significantly different. The risk profile of occupational pensions is more predictable than insurance products and there are other options for dealing with risk – cutting benefits, raising contributions, etc.	Noted
588.	European Association of Public Sector Pension Inst	18.	What is the stakeholders' view on the three options regarding the inclusion and calculation of a risk margin as introduced by Article 77? The risk margin upon the best estimate component for the	Noted, non-harmonised approach not within mandate

			calculation of technical provisions reflects the external cost-of-capital fraction necessary only in case of the disposal and transfer of liabilities of a IORP to another financial institution. This is not relevant for IORPs as liabilities are not sold and there is no market. Hence no external capital premium is needed. And a additional and explicit risk margin as an additional security buffer against wrong assumptions in the calculation of technical provisions is not necessary if the best estimate concept is not implemented. Within the existing provisions of the IORP Directive (Art. 15 and 16) the prudent calculation principles are sufficient.	
589.	European Federation for Retirement Provision (EFRP	18.	According to the EFRP there should not be a risk margin in the technical provisions, as option 3 proposes. EFRP rejects option 3 because it advises a best estimate calculated according to Solvency II. The EFRP opposes the use of a uniform discount rate in order to calculate the best estimate of liabilities. This would be undesirable and unworkable. The EFRP rejects the proposal to include a risk margin into the technical provisions as stipulated in Solvency II (option 1). When IORPs are closed down, they do not have to go to another institution, which is the underlying reasoning of implementing a risk margin. Furthermore, the Risk Margin in Solvency II is based on Cost of Capital. IORPs do not have Capital. The EFRP also rejects the proposal of including a risk margin into the technical provisions in order to create a safety net for wrong	Noted

			assumptions (option 2). Including uncertainty into the technical provisions themselves leads to the risk of piling up prudence on prudence.	
590.	Federation of the Dutch Pension Funds	18.	We are in favour of option 3. Adverse deviations of the assumptions should not be part of the value of the technical provisions, but should be covered by own funds.	Noted
591.	Financial Reporting Council	18.	We support option 3 that the technical provisions should be based on the best estimate of cash flows with no explicit risk margin. This is consistent with IFRS and UK GAAP accounting standards. We consider that there is considerable uncertainty concerning future cash flows of IORPs particularly with regard to changes in future mortality rates. This uncertainty cannot currently be quantified in a reliable way. We consider that managers, members and supervisors would be better served by disclosure about the sensitivity to changes in the assumptions that have been used in arriving at the best estimate rather than attempting to put a single number on a margin for risk. We do not support the proposal in option 2 that the risk margin should be calculated in accordance with Solvency II. We do not consider that liabilities should be based on the concept of the transfer of liabilities using a market consistent approach for the reasons described in our answer to question 14. Neither do we consider that the concept of solvency capital is relevant in the context of an IORP that does not bear the risk of significant adverse events but relies on alternative risk mitigants such as the employer covenant, protection schemes and benefit reductions. We do not support option 1 because we do not consider that it is possible to calculate a risk margin in a reliable way. We consider	Noted

			that putting a single number on the risk is not appropriate, different experts might come up with quite different views on an appropriate risk margin given their view on future changes in mortality rates. Many IORPs are small and therefore the use of statistical techniques to estimate a single risk margin might not be appropriate.	
592.	FNMF – Fédération Nationale de la Mutualité França	18.	FNMF does not agree on valuation principles based on market value.	Noted
593.	FNV Bondgenoten	18.	We are in favour of option 3. Adverse deviations of the assumptions should not be part of the value of the technical provisions, but should be covered by own funds.	Noted
594.	Generali vie	18.	We support option 2 : use of the transfer value in the meaning of Solvency II for calculating technical provisions.	Noted
Noted	German Institute of Pension Actuaries (IVS\32\45\3	18.	Since a risk margin is supposed to represent a "surcharge" for any potential buyer of an IORP it should not be included in the calculation of the technical provisions. Since the transfer of pension contracts is only possible in exceptional circumstances in Germany, there is no market and therefore no value for the transfer of liabilities.	Noted
596.	Groupe Consultatif Actuariel Européen.	18.	The majority view is that we do not see a need for a specific and separately identifiable risk margin; an allowance for the uncertainty of liability cash flows can be incorporated in the SCR, or the technical provisions assessed on a suitably prudent basis. (See comments on Solvency Capital and Risk Margin on page 10 above)	Noted
597.	Groupement Français des Bancassureurs	18.	FBIA supports option 2, to include a risk margin in the technical provisions, calculated according to Solvency II, Article 77(4). This is consistent with Solvency II-type transfer value approach. As EIOPA indicates, this measure will allow for a better	Noted

			comparability of technical provisions between IORPs and between IORPs and insurance undertakings and as a result increase harmonization.	
598.	PMT-PME-Mn Services	18.	We are in favour of option 3. Adverse deviations of the assumptions should not be part of the value of the technical provisions, but should be covered by own funds.	Noted
599.	HM Treasury/Department for Work and Pensions	18.	The IORPs Directive includes "if applicable, an appropriate margin for adverse deviation". This is a fundamentally different concept to the Solvency II risk margin, which is based on the additional capital a 3rd party would require to take over the obligations. As stated above in response to question 14, it is not appropriate to use the concept of a transfer value. On that basis, the "no change" option is the only option that is appropriate for occupational pension funds. However, the margin for adverse deviation should not be treated as a Risk Margin (with any further connotations with respect to solvency requirements), but rather as the inclusion of an appropriate margin for adverse deviation.	Noted
600.	Institute and Faculty of Actuaries (UK)	18.	In addressing this question, firstly the question of what risk margins are trying to achieve should be addressed. It would be sensible to step back and consider just what the security of IORP benefits is intended to be before setting any prescriptive risk margins. Option 1 is to make the present element of prudence in the technical provisions explicit. This is not a necessary step if the IORP Directive is to remain largely unchanged. However it would represent a development of the Directive.	Noted

			Option 2 is valid if a full Solvency II approach is to be adopted – but we would suggest that an independent assessment of what is appropriate for IORPs be made, along with an impact assessment. There is not harmonisation between banking institutions and insurers in this respect, and so it is not automatic that there should be harmonisation between insurers and IORPs. Option 3 is a risk-free basis as per Option 2 for liabilities, but with no risk margin. This may in particular be appropriate for larger IORPs where there is no realistic prospect of transfer of liabilities to any other party, subject to impact assessments. But see also our comment in Q14 regarding the need for work on measures of risk-free rates etc.	
601.	KPMG LLP (UK)	18.	This assumes that Solvency II is to be adopted into the IORP directive – and we consider that higher-level consideration of this question needs to happen before answering such detail.	Noted
602.	Le cercle des épargnants	18.	We support option 2 : use of the transfer value in the meaning of Solvency II for calculating technical provisions.	Noted
604.	Mercer	18.	As discussed under question 13, we do not consider that the concept of a transfer of liabilities between IORPS provides a consistent measure, nor one likely to meet a regulatory purpose. Instead, we prefer the existing provision, with amendments as suggested in our answer to question 14, where IORPs have to explicitly consider including risk margins to allow for adverse experience relative to the assumptions they use to value the liabilities. Thus, our preferred approach would be the status quo. However, Option 3 might be an acceptable alternative, depending on how funding requirements are derived in relation	Noted

			to it. Other measurements (for example, VaR techniques) are also useful for supporting risk management discussions, but again, our view is that there are some models for IORPs in the EU where such calculations could, depending on the confidence level used, risk overstating the financial capital required to provide an adequate level of security for scheme members' benefits.	
605.	MHP (Vakcentrale voor Middengroepen en Hoger Perso	18.	We are in favour of option 3. Adverse deviations of the assumptions should not be part of the value of the technical provisions, but should be covered by own funds.	Noted
607.	National Association of Pension Funds (NAPF)	18.	What is the stakeholders' view on the three options regarding the inclusion and calculation of a risk margin as introduced by Article 77? NAPF does not accept the need for a separate risk margin. The concept of a separate risk margin is designed for insurance, where one-off shocks can have a major and immediate destabilising impact. Unlike insurance products, pensions are paid over the long term in a relatively predictable manner. IORPs respond to shocks completely differently by adjusting funding levels over the medium and long term. So it is wrong to assume that a regulatory framework designed for insurance should apply to pensions.	Noted

			EIOPA's proposal for a risk-free approach to discounting liabilities already injects a large measure of extra prudence into the IORP funding regime. A further risk margin would pile prudence upon prudence.	
609.	OECD Secretariat to the Working Party on Private P	18.		
610.	Pan-European Insurance Forum (PEIF)	18.	Assuming that Solvency II is the model to follow, then PEIF supports Option 2. However, please see opening general comments. In any event, the regimes for IORPs and insurers should be consistent.	Noted
612.	Pensioenfonds Zorg en Welzijn (PFZW)	18.	We are in favour of option 3. Adverse deviations of the assumptions should not be part of the value of the technical provisions, but should be covered by own funds.	Noted
613.	Predica	18.	Predica supports option 2, to include a risk margin in the technical provisions, calculated according to Solvency II, Article 77(4). This is consistent with Solvency II-type transfer value approach. As EIOPA indicates, this measure will allow for a better comparability of technical provisions between IORPs and between IORPs and insurance undertakings and as a result increase harmonization.	Noted
614.	prof.dr. A.A.J. Pelsser HonFIA, Netspar & Maastric	18.	Choose option 2: Explicit risk margin in technical provisions calculated according to Solvency II.	Noted

615.	PTK (Sweden)	18.	There should not be a risk margin in the technical provisions, as option 3 proposes. PTK rejects option 3 because it advises a best estimate calculated according to Solvency II. PTK opposes the use of a uniform discount rate in order to calculate the best estimate of liabilities PTK rejects the proposal to include a risk margin into the technical provisions as stipulated in Solvency II (option 1). When IORPs are closed down, they do not have to go to another institution, which is the underlying reasoning of implementing a risk margin. Besides that, the Risk Margin in Solvency II is based on Cost of Capital. IORPs do not have Capital. PTK also rejects the proposal of including a risk margin into the technical provisions in order to create a safety net for wrong assumptions (option 2). Including uncertainty into the technical provisions themselves leads to the risk of piling up prudence on prudence.	Noted
616.	Railways Pension Trustee Company Limited ("RPTCL	18.	RPTCL does not consider it appropriate to introduce a separate risk margin. We consider that the concept of a separate risk margin, which may be suitable for insurance companies, is not appropriate for many UK and other defined benefit pension schemes due to the inherent differences between insurance companies and defined benefit pension schemes, such as, to give one UK example, the regulatory attention given to the covenant of scheme sponsors and the compensation regime of the Pension Protection Fund.	Noted

617.	Reed Elsevier Group plc	18.	The current method allows for the use of a prudent basis dependent on various risk factors. Option 1 is the closest to this approach and is the least worst alternative.	Noted
619.	TCO	18.	There should not be a risk margin in the technical provisions, as option 3 proposes. TCO rejects option 3 because it advises a best estimate calculated according to Solvency II. TCO opposes the use of a uniform discount rate in order to calculate the best estimate of liabilities TCO rejects the proposal to include a risk margin into the technical provisions as stipulated in Solvency II (option 1). When IORPs are closed down, they do not have to go to another institution, which is the underlying reasoning of implementing a risk margin. Besides that, the Risk Margin in Solvency II is based on Cost of Capital. IORPs do not have Capital. TCO also rejects the proposal of including a risk margin into the technical provisions in order to create a safety net for wrong assumptions (option 2). Including uncertainty into the technical provisions themselves leads to the risk of piling up prudence on prudence.	Noted
620.	Tesco PLC	18.	8. What's the stakeholder's view on the three options regarding the inclusion and calculation of a risk margin as introduced by Article 77? 9. There concept of a risk margin is designed for insurance and is not suitable for pension schemes – so it should not be included.	Noted

			Unlike insurance products, the cash flows to meet pension payments are relatively predictable and any shocks to these cash flows (such as those anticipated by the risk margin) can be met by the sponsor over a long period of time. 10. The risk margin is therefore an inefficient use of a company's capital – which could otherwise be used to grow the business and generate jobs.	
621.	THE ASSOCIATION OF CORPORATE TREASURERS	18.	What is the stakeholders' view on the three options regarding the inclusion and calculation of a risk margin as introduced by Article 77(in Solvency II Directive)? The discussion on this as presented in the paper is again coming from the objective of likening sponsor supported schemes to an insurance based pension when the two are completely different. The current IORP (art 15) calculates technical provisions based on a prudent actuarial valuation including "if applicable of an appropriate margin for adverse deviation". For an insurance based pension one would expect a greater consideration of risk margins whether explicitly separated out or implicitly included in the technical provision. This fundamental difference once again leads the ACT to support Option 1 (at 9.3.80) "Explicit risk margin in technical provisions calculated according to the IORP Directive". We have no objection to requiring an explicit calculation of the risk margin	Noted
622.	The Association of Pension Foundations (Finland)	18.	We favour calculating risk margin in technical provisions according to the IORP directive as also EIOPA suggested.	Noted
623.	The Association of the	18.	The consideration of this question implies that the concept of the	Noted

	Luxembourg Fund Industry (A		holistic balance sheet is taken to be an appropriate approach. In the Respondents view the concept would need to be discussed and developed more fully in respect of the implications for sponsor-backed IORP before any conclusions can be drawn. The Respondents further note that under current legislation, the question of own funds is not applicable to sponsor-backed IORP. Accordingly, the Respondents suggest that the current approach (option 1) be retained, however without reference to the implicit rules of Solvency II (risk margin based on cost of capital).	
624.	The Hundred Group of Finance Directors (UK)	18.	If one of these options has to be selected, then option 1 should be chosen, i.e. 'explicit risk margin in technical provisions calculated according to the current IORP directive'. This is the closest to the current situation, where technical provisions are calculated on a prudent basis. The separate disclosure of the risk margin as an explicit rather than implicit item may provide useful information to trustees and companies; however, this option should not lead to a different overall assessment of technical provisions to that applying at present.	Noted
625.	The Society of Actuaries in Ireland	18.	Option 1: Explicit risk margin in technical provisions calculated according to the IORP Directive – the risk margin is not related to the concept of transfer value/cost of capital, but to the risk of adverse deviations from assumptions. We do not advocate Option 2 as the cost of capital concept is not easily related to pensions. The alternative is to capture the risk margin in a single buffer outside of the technical provisions, but ultimately this would end	Noted

			up in the same position as Option 1.	
626.	Towers Watson Deutschland GmbH	18.	Option 1 is acceptable if no changes are made to the current IORP approach to valuing liabilities. If a market-consistent approach is adopted to valuing liabilities, Option 2 would lead to a very substantial increase in technical provisions (including the risk margin) for all German IORPs. If the intention is to follow this line against all concerns expressed, a detailed quantitative assessment and a broad political debate would have to be conducted in advance of implementation. Option 3 has the appeal of having a lower impact on IORPs' funding requirements and, possibly, at a reasonable level.	Noted
627.	Trades Union Congress (TUC)	18.	What is the stakeholders' view on the three options regarding the inclusion and calculation of a risk margin as introduced by Article 77? There is no need for a seperate risk margin; the current IORP Directive is correct in its method of calculating the risk margin. A separate best estimate and risk margin is intended to allow insurers to incur 'shocks'. Pensions are unlike insurance and are medium to longterm in nature. Therefore the regulatory framework does does not need to be the same for pension schemes.	Noted, non-harmonised approach not within mandate
628.	Transport for London / TfL Pension Fund	18.	The inclusion and calculation of a risk margin is appropriate for insurance companies which can suffer a "one off" extreme event.	Noted

			It is not appropriate for pension schemes whose liabilities are paid over the long term with fairly predictable cash flows	
629.	UK Association of Pension Lawyers	18.	CfA 5 (Valuation of assets, liabilities and technical provisions):What is the stakeholders' view on the three options regarding the inclusion and calculation of a risk margin as introduced by Article 77? We support leaving the IORP Directive unchanged. The extension of Solvency II principles to IORPs is misplaced.	Noted, non-harmonised approach not within mandate
630.	Universities Superannuation Scheme (USS),	18.	What is the stakeholders' view on the three options regarding the inclusion and calculation of a risk margin as introduced by Article 77? USS does not accept the need for a separate risk margin. The concept of a separate risk margin is designed for insurance, where one-off shocks can have a major and immediate destabilising impact. Unlike insurance products, pensions are paid over the long term in a relatively predictable manner. IORPs respond to shocks completely differently by adjusting funding levels over the medium and long term. So it is wrong to assume that a regulatory framework designed for insurance should apply to pensions. Furthermore the UK already has a robust system of pension scheme funding, including a prudent approach to determining technical provisions, which effectively incorporates a risk margin implicitly.	Noted

			EIOPA's proposal for a risk-free approach to discounting liabilities already injects a large measure of extra prudence into the IORP funding regime. A further risk margin would pile prudence upon prudence.	
631.	Verband der Firmenpensionskassen (VFPK) e.V.	18.	A risk margin for a potential buyer of the IORP is not appropriate in the calculation of the technical provision. Company pensions schemes cannot be disposed of. There is no market and no value for the assumption of the commitments.	Noted
632.	VHP2 (Vakorganisatie voor middelbaar en hoger pers	18.	We are in favour of option 3. Adverse deviations of the assumptions should not be part of the value of the technical provisions, but should be covered by own funds.	Noted
633.	Whitbread Group PLC	18.	We see no need for any change, including Technical Provisions to continue to be assessed using a prudent estimate of expected returns on assets	Noted, non-harmonised approach not within mandate
634.	Zusatzversorgungskasse des Baugewerbes AG	18.	29. We reject the idea of imposing capital requirements by asking for a risk margin. Regarding the special situation of industry-wide pension funds with solidarity elements we cannot imagine any market for this kind of liabilities. The idea of a risk margin is based on a transfer of liabilities to another entity that takes over the operations. Since any transfer of that kind would destroy the unique situation of the employers-beneficiaries-partnership of these pension funds, there will be no transfers like in the insurance industry. 30. Therefore we prefer option 3. Only when there are in the member states no regulated own funds, option 1 is valid, an explicit risk margin to cover adverse deviations from assumptions.	Noted

635.	Towers Watson	18.	19. What is the stakeholders' view on the three options regarding the inclusion and calculation of a risk margin as introduced by Article 77? Option 1 is to include an explicit margin for prudence in technical provisions, otherwise determined in accordance with the current IORP directive. Option 2 is to include an explicit risk margin in technical provisions determined on Solvency II principles, thereby effectively providing for the cost of transferring the liabilities to another institution. Option 3 would include no risk margin in technical provisions, so any such margin would therefore need to be covered by capital requirements. EIOPA rightly points out that there is a connection between this question and the way in which liabilities should be valued (see question 14). Option 1 is valid if no changes are made to the current IORP approach to valuing liabilities, whereas options 2/3 are valid if a market-consistent approach is adopted to valuing liabilities. We believe that the main question here is about option 1 as opposed to option 2/3, so this is in essence the same point as how liabilities should be valued. As mentioned in our response to question 14, there are considerable issues in introducing a requirement for market-consistent valuation of liabilities, and broad consistency could be achieved even if the current IORP directive provisions were retained. Option 2 would lead to a very substantial increase in technical provisions (including the risk margin) for most UK IORPs. In broad terms, we estimate that the amount of underfunding in UK defined benefit IORPs on this basis at the present time,	Noted

			excluding any solvency capital requirement, could be around £700 to £1,000 billion. Whilst this is not in itself an argument against introducing it, it does at least suggest that the implementation of such a change would need to be over a much extended period. Sufficient flexibility would also need to be available to ensure that outcomes were in the best interests of members of IORPs (and the wider workforce of the sponsor), and that the needs and requirements of the Pension Protection Fund were properly considered. UK IORPs do not have the legal option to reduce members' benefits in the event of serious underfunding (other than on termination of the IORP following the insolvency of the sponsor), nor do they the power to raise capital independently of the sponsor. Any increase in the funding requirement placed on IORPs therefore directly impacts on the covenant of the sponsoring employer. Option 3 has the appeal of having a lower impact on IORPs' funding requirements, but seems to have little objective merit and does not sit well with UK Trust Law. In our opinion, it would be appropriate to set a long-term funding objective for IORPs based on a prudent assessment of the value of the liabilities, as is currently the case under the existing IORP directive. Option 3 would exclude any margin for prudence in the liability cash flows, but require these best-estimate cash flows to be discounted at a risk-free rate (ie a very prudent discount rate). We would question whether this would represent a consistent approach.	
636.	OPSG (EIOPA Occupational Pensions Stakeholder Group)	19.	See question 13	Noted
637.	AbA Arbeitsgemeinschaft für betriebliche Altersver	19.	Whether future accruals should be taken into account depends on the actuarial method chosen. In these cases, the actuarial	Agreed, added that it depends on nature

			method also allows for future contributions as an offsetting position (principle of equivalence). The actuarial method to be used should be determined by the Appointed Actuary as it is a function of the nature of the scheme (plan provisions, vesting mechanism, open or closed to new members etc.).	plan
638.	ABVAKABO FNV	19.	We are in favour of taking into account only the current benefits without any future accrual. If a holistic balance sheet approach were to be chosen by the EC, future accrual could be added to the balance sheet separate from the best estimate of the liabilities. The best estimate should always be calculated on an ABO basis to keep this calculation as free of assumptions as possible. Very important in that respect is the amount of future accrual (i.e. the time horizon) taken into account.	Noted
639.	AEIP	19.	IORPs should not be obliged to take future accruals into account in their calculations, but they should be allowed to take them into account if their actuarial method chosen is based on the principle of (collective) equivalence.	Noted
640.	AFPEN (France)	19.	AFPEN suggest not including future accruals in the calculation of technical provisions because of the uncertainty of the concrete amounts of these payments and the fact that they are not guaranteed. Only guaranteed benefits should be accounted for. These expected future payments can serve as management tool also to buffer adverse developments.	Noted
642.	AMONIS OFP	19.	Do stakeholders agree with the proposed conditions defining in what cases IORPs should take into account future accruals or not when establishing technical provisions? AMONIS OFP is in favour of taking into account only the current	Noted

			established benefits without any future accrual, unless this future accrual is an element of the current benefit e.g. a promised minimal interest rate on contributions. For taking into account also future accruals, and thus automatically also future contributions and future returns, a lot of very influential assumptions should be made, which leads to the risk of making the supervisory framework very dependent on the assumptions and the subjectivity of these assumptions.	
643.	ANIA – Association of Italian Insurers	19.	Yes, the ANIA is supportive of amending article 77(2) of the Solvency II Directive as proposed by EIOPA. However, the ANIA invites EIOPA to clarify the possible cases "where there is no direct link between the contributions paid to the IORP and the pension rights accrued in a certain period".	Noted
644.	Association of British Insurers	19.	The ABI would support the proposed amendment to Article 77(2). We feel it is important to observe the distinction for IORPs where technical provisions are calculated on accrued rights.	Noted
645.	Association of Consulting Actuaries (UK)	19.	Yes	Noted
646.	Association of French Insurers (FFSA)	19.	34. The FFSA is supportive of amending article 77(2) of the Solvency II Directive as proposed by EIOPA. However, the FFSA invites EIOPA to clarify the possible cases "where there is no direct link between the contributions paid to the IORP and the pension rights accrued in a certain period". In all cases the same principle should apply for retirement schemes provided by the insurers.	Noted
647.	Association of Pensioneer Trustees in Ireland	19.	See response to question 12.	Noted

648.	Assoprevidenza – Italian Association for supplemen	19.	We agree for the principle, but amendment is not clear. It would be preferable the wording as 9.3.57. Moreover we can consider also contributions and liabilities of new members, particularly if membership is compulsory.	Noted
649.	Assuralia	19.	Cfr. Q. 12 The extremely short delay for responding to the technical consultation document has forced the members of Assuralia to prioritize and to focus on a number of questions. Our lack of response to this question must not be regarded as a lack of interest or opinion.	
650.	Balfour Beatty plc	19.	Do stakeholders agree with the proposed conditions defining in what cases IORPs should take into account future accruals or not when establishing technical provisions? We expect UK IORPs will only rarely be required to include future accruals in their technical provisions. This is because the sponsor usually meets the balance of cost over the members' contributions. Future contributions are agreed at each formal valuation and are usually fixed for three years, reviewed at the following valuation. Overall, we agree with the proposal for taking future accruals into account in technical provisions. However, careful drafting will be needed to ensure that only those cases where future accruals meet these conditions are captured by the new requirements.	Noted

651.	Belgian Association of Pension Institutions (BVPI-	19.	Do stakeholders agree with the proposed conditions defining in what cases IORPs should take into account future accruals or not when establishing technical provisions? BVPI-ABIP is in favour of taking into account only the current benefits without any future accrual. For taking into account also future accruals, and thus automatically also future contributions and future returns, a lot of very influential assumptions should be made, which leads to the risk of making the supervisory framework very dependent on the assumptions and the subjectivity of these assumptions.	Noted
652.	BNP Paribas Cardif	19.	BNP Paribas Cardif is supportive of amending article 77(2) of the Solvency II Directive as proposed by EIOPA. However, BNP Paribas Cardif invites EIOPA to clarify the possible cases "where there is no direct link between the contributions paid to the IORP and the pension rights accrued in a certain period". In all cases the same principle should apply for retirement schemes provided by the insurers	Noted
653.	BT Group plc	19.	Do stakeholders agree with the proposed conditions defining in what cases IORPs should take into account future accruals or not when establishing technical provisions? We do not believe that future accruals should be taken into account.	Noted
654.	BT Pension Scheme Management Ltd	19.	We agree that the arguments are well laid out in the consultation document. In our view, future accruals should not be taken into account, not least as the assessment as to their	Noted

			cost would be highly sensitive to the assumptions built into the calculation, meaning little of use in terms of information value would be provided.	
655.	CEA	19.	Yes, the CEA is supportive of amending article 77(2) of the Solvency II Directive as proposed by EIOPA. However, the CEA invites EIOPA to clarify the possible cases "where there is no direct link between the contributions paid to the IORP and the pension rights accrued in a certain period".	Noted
656.	Charles CRONIN	19.	I agree with EIOPA that future accruals should not be taken into consideration for IORP technical provisions.	Noted
657.	Chris Barnard	19.	I would accept that the proposed conditions defining in what cases IORPs should take into account future accruals or not when establishing technical provisions are reasonably drafted and quite clear. However, I am not sure that they are entirely appropriate. In a Solvency II-like, market-consistent approach to the calculation of technical provisions, we should be considering the full economic view. If we do not take into account future cash-flows leading to, or resulting from, the future accrual of pension rights, then we are not considering the full economic view, which may have adverse consequences. The supporting arguments in Paragraphs 9.3.56 – 9.3.61 are not unreasonable, but I do not think that they are complete. For example, Paragraph 9.3.57 states that: "Solvency II contract boundaries are defined to clarify even further which cash-flows exactly have to be taken into account. The basic idea is that whenever risks can arise from future cash-flows and the undertaking has no unilateral right to reject the cash-flows and with it the corresponding risks then these cash-flows have to be taken into account".	Agreed, condition of cessation included

			This supports the principle that we should allow for all future accruals, where the IORP cannot unilaterally reject cash-flows and corresponding risks. Paragraph 9.3.60 further states that: "The contract boundaries in time of occupational pension schemes may be ill-defined and/or there may be no direct relationship between contributions and the accrual of pension rights". I agree that these issues require further consideration, but regardless of whether there is a direct relationship between contributions and the accrual of pension rights, I believe that the absolute accrual of pension rights and their corresponding risks should be the defining factor here. I am also not convinced that the proposal is fully consistent with the proposed holistic balance sheet framework.	
658.	CMHF (Centrale van Middelbare en Hogere Functionar	19.	We are in favour of taking into account only the current benefits without any future accrual. If a holistic balance sheet approach were to be chosen by the EC, future accrual could be added to the balance sheet separate from the best estimate of the liabilities. The best estimate should always be calculated on an ABO basis to keep this calculation as free of assumptions as possible. Very important in that respect is the amount of future accrual (i.e. the time horizon) taken into account.	Noted
659.	De Unie (Vakorganisatie voor werk, inkomen en loop	19.	We are in favour of taking into account only the current benefits without any future accrual. If a holistic balance sheet approach were to be chosen by the EC, future accrual could be added to the balance sheet separate from the best estimate of the liabilities. The best estimate should always be calculated on an ABO basis to keep this calculation as	Noted

			free of assumptions as possible. Very important in that respect is the amount of future accrual (i.e. the time horizon) taken into account.	
660.	Derek Scott of D&L Scott	19.	No. I strongly believe that no account should be taken of future accrual of benefit when calculating technical provisions. Current regulation and accounting is already based on PBO with the actuarial present value as of a date of all benefits attributed by the pension benefit formula to employee service rendered prior to that date, which already goes further than ABO with the actuarial present value of benefits (vested or unvested) attributed by the pension benefit formula only to employee services rendered before a specified date, and based on employee service and compensation prior to that date. The ABO differs from the PBO in that it includes no assumptions about future compensation levels.	Noted
661.	DHL Services Limited	19.	Do stakeholders agree with the proposed conditions defining in what cases IORPs should take into account future accruals or not in establishing technical provisions? Future service benefits are a matter between the employer and employee representatives, and are only earned if the employer continues to trade and the employee continues in employment. For this reason, we do not believe that technical provisions should take any account of future accruals.	Noted
662.	DHL Trustees Limited	19.	Do stakeholders agree with the proposed conditions defining in what cases IORPs should take into account future accruals or not in establishing technical provisions?	Noted

			Future service benefits are a matter between the employer and employee representatives, and are only earned if the employer continues to trade and the employee continues in employment. For this reason, we do not believe that technical provisions should take any account of future accruals.	
663.	Ecie vie	19.	We are supportive of amending article 77(2) of the Solvency II Directive.	Noted
664.	European Association of Public Sector Pension Inst	19.	Do stakeholders agree with the proposed conditions defining in what cases IORPs should take into account future accruals or not when establishing technical provisions? EAPSPI suggests not including future accruals in the calculation of technical provisions because of the uncertainty of the concrete amounts of these payments and the fact that they are not guaranteed. Only guaranteed benefits should be accounted for. These expected future payments can serve as management tool also to buffer adverse developments.	Noted
665.	European Federation for Retirement Provision (EFRP	19.	The EFRP is in favour of taking into account only the current benefits without any future accrual. For taking into account also future accruals, and thus automatically also future contributions and future returns, a lot of very influential assumptions should be made, which leads to the risk of making the supervisory framework very dependent on the assumptions and the subjectivity of these assumptions. However, in some Member States there are actuarial methods	Noted

			used which take into account future accruals. In these cases, the actuarial method also allows for future contributions as an offsetting position (principle of equivalence). IORPs should be able to continue using these models in the future.	
666.	Federation of the Dutch Pension Funds	19.	We are in favour of taking into account only the current benefits without any future accrual. If a holistic balance sheet approach were to be chosen by the EC, future accrual could be added to the balance sheet separate from the best estimate of the liabilities. The best estimate should always be calculated on an ABO basis to keep this calculation as free of assumptions as possible. Very important in that respect is the amount of future accrual (i.e. the time horizon) taken into account.	Noted
667.	Financial Reporting Council	19.	We do not have any views on this proposal.	Noted
668.	FNMF – Fédération Nationale de la Mutualité França	19.	FNMF does not agree on valuation principles based on market value.	Noted
669.	FNV Bondgenoten	19.	We are in favour of taking into account only the current benefits without any future accrual. If a holistic balance sheet approach were to be chosen by the EC, future accrual could be added to the balance sheet separate from the best estimate of the liabilities. The best estimate should always be calculated on an ABO basis to keep this calculation as free of assumptions as possible. Very important in that respect is the amount of future accrual (i.e. the time horizon) taken into account.	Noted
670.	Generali vie	19.	We are supportive of amending article 77(2) of the Solvency II Directive.	Noted

671.	German Institute of Pension Actuaries (IVS\32\45\3	19.	We agree that the calculation of technical provisions should take account of pension rights earned on the basis of past contributions as well as pension rights arising from future contributions. However, something else could apply if, on the basis of a contractual agreement or an entitlement under labour law, future contributions can be rejected.	Agreed, condition of cessation included
672.	Groupe Consultatif Actuariel Européen.	19.	Future accruals should only be taken into account in the calculation of technical provisions if there is a commitment which is other than voluntary, for example if all future contributions are pre-defined and contractual, with no possibility of their cessation.	Agreed, included in advice
673.	Groupement Français des Bancassureurs	19.	FBIA is supportive of amending article 77(2) of the Solvency II Directive as proposed by EIOPA. However, FBIA invites EIOPA to clarify the possible cases “where there is no direct link between the contributions paid to the IORP and the pension rights accrued in a certain period”. In all cases the same principle should apply for retirement schemes provided by the insurers	Noted
674.	PMT-PME-Mn Services	19.	We are in favour of taking into account only the current benefits without any future accrual. If a holistic balance sheet approach were to be chosen by the EC, future accrual could be added to the balance sheet separate from the best estimate of the liabilities. The best estimate should always be calculated on an ABO basis to keep this calculation as free of assumptions as possible. Very important in that respect is the amount of future accrual (i.e. the time horizon) taken into account.	Noted
675.	HM Treasury/Department	19.	Future accrual of benefits should be disregarded for valuation	Noted

	for Work and Pensions		purposes, but guaranteed future increases should be taken into account.	
676.	Institute and Faculty of Actuaries (UK)	19.	Future accruals should only be taken into account if all future contributions are pre-defined and contractual, with no possibility of their cessation.	Agreed, condition of cessation included
677.	KPMG LLP (UK)	19.	Only if all future contributions are pre-defined and contractual, with no possibility of their cessation.	Agreed, condition of cessation included
678.	Le cercle des épargnants	19.	We are supportive of amending article 77(2) of the Solvency II Directive.	Noted
679.	Macfarlanes LLP	19.	(CfA 5 Valuation of assets, liabilities and technical provisions) Do stakeholders agree with the proposed conditions defining in what cases IORPs should take into account future accruals or not when establishing technical provisions? Funding decisions should be agreed between the scheme trustees and the employer, based on the professional judgment of the scheme actuary.	Noted
681.	Mercer	19.	We think it is necessary here to distinguish between 'future accruals', by which we would mean pension entitlements that will only arise if future service is completed, and existing undertakings, which might be entitled to enhancements in future (for example, revaluation of past service accruals where this is a statutory requirement or provided for in scheme rules). Making this distinction, we do not think that future accruals should necessarily be included in the calculation of technical provisions (that is, we do not think it should be mandated, but IORPs should be able to choose to do so). The key feature here is that, even when future contributions and the associated accrual are	Noted

			pre-defined, the accrual is generally also contingent on members remaining in service with the employer and so will not happen in respect of members that leave service. Where future increases in benefit (and payment of contributions) will occur regardless of the member's future service, then we agree that it would be reasonable to allow for this in the technical provisions calculation. Our understanding of Article 77(2) is that it recognises that, to be entitled to the full benefit under some insurance policies (for example, endowment policies) premiums have to continue to be paid, perhaps for the full policy term. This concept does not translate neatly into most pension provision. Instead, it might be clearer to require IORP technical provisions to include at least all cash flows in respect of benefits that have accrued, or that the IORP is committed to pay, in relation to service at the calculation date (for example, the benefit members would be entitled to if they left the scheme on the calculation date).	
682.	MHP (Vakcentrale voor Middengroepen en Hoger Perso	19.	We are in favour of taking into account only the current benefits without any future accrual. If a holistic balance sheet approach were to be chosen by the EC, future accrual could be added to the balance sheet separate from the best estimate of the liabilities. The best estimate should always be calculated on an ABO basis to keep this calculation as free of assumptions as possible. Very important in that respect is the amount of future accrual (i.e. the time horizon) taken into account.	Noted

684.	National Association of Pension Funds (NAPF)	19.	Do stakeholders agree with the proposed conditions defining in what cases IORPs should take into account future accruals or not when establishing technical provisions? The consultation paper gives a good assessment of the arguments for and against factoring some recognition of conditional and discretionary benefits into the calculation of technical provisions. The NAPF's view is that only current benefits should be taken into account – without any future accrual. If future accrual were to be taken into account, then the task would be very dependent on the assumptions chosen; the resulting figures for technical provisions would be too unreliable to form a sound basis for scheme funding.	Noted
686.	OECD Secretariat to the Working Party on Private P	19.	Do stakeholders agree with the proposed conditions defining in what cases IORPs should take into account future accruals or not when establishing technical provisions? The CfA response proposes the following on page 151 with respect to the "definition of cash-flows relevant when calculating technical provisions":	Note, conditions changed

			In cases where there are predefined contributions set in advance for the pre-retirement period and where there is a direct relation between contributions paid to the IORP in a certain part of this period and the pension rights accrued in this part of this period then all cash in-flows and outflows…shall be considered when calculating technical provisions. In other cases technical provisions shall be calculated based on future cash-flows resulting from accrued rights. The full implications of this proposal are difficult to determine without further clarification and analysis. However, based on the wording above, it would seem that two DB plans that promise identical DB benefits at retirement age (e.g. 1.5% of final average pay times years of service) could be valued in completely different manners based on the accrual patterns of the benefits within the two DB plans, for example, if the retirement benefits in one of the DB plans accrue on a straight-line basis and the retirement benefits in the other DB plan accrue using an insurance company-type accrual pattern. The potential impact of having significantly different technical provisions for ultimate retirement benefits that are identical would need to be explored. Furthermore, would pure defined contribution schemes fall under the first paragraph above and would that mean that all future cash flows would need to be taken into account to determine the technical provisions? Having technical provisions that differ from the market value of plan assets in pure defined contribution	

			plans would raise a number of issues.	
687.	Pensioenfonds Zorg en Welzijn (PFZW)	19.	We are in favour of taking into account only the current benefits without any future accrual. If a holistic balance sheet approach were to be chosen by the European Commission, future accrual could be added to the balance sheet separate from the best estimate of the liabilities. The best estimate should always be calculated on an ABO basis to keep this calculation as free of assumptions as possible. Very important in that respect is the amount of future accrual (i.e. the time horizon) taken into account.	Noted
688.	Predica	19.	Predica is supportive of amending article 77(2) of the Solvency II Directive as proposed by EIOPA. However, Predica invites EIOPA to clarify the possible cases "where there is no direct link between the contributions paid to the IORP and the pension rights accrued in a certain period". In all cases the same principle should apply for retirement schemes provided by the insurers	Noted
689.	prof.dr. A.A.J. Pelsser HonFIA, Netspar & Maastric	19.	Agree. The definining distinction should be if the contributions are mandatory (then they can be included in the calculation) or voluntary (then they cannot be included in the calculation).	Noted
690.	PTK (Sweden)	19.		
691.	Railways Pension Trustee Company Limited ("RPTCL	19.	RPTCL believes that no account should be taken of future accrual of benefit when calculating technical provisions.	Noted
692.	Reed Elsevier Group plc	19.	Technical provisions do not currently take account of future	Noted

			accruals and nor should they. Schemes can be closed to future accruals and many will be as a result of the implementation of this directive. Therefore we believe that future accruals should not be taken account of in the calculation of technical reserves whether or not solvency II is introduced for pension schemes.	
693.	Tesco PLC	19.	Do stakeholders agree with the proposed conditions defining in what cases IORPs should take into account future accruals or not when establishing technical provisions? We support these conditions and believe it's important to observe the distinction for IORPs where technical provisions are calculated on accrued rights.	Noted
694.	The Association of Pension Foundations (Finland)	19.	Discretionary benefits should not be included in technical provisions.	Noted
695.	The Association of the Luxembourg Fund Industry (A	19.	Similar to EFRP, the Respondents are in favour of taking into account only the current benefits without any future accrual. For taking into account also future accruals, and thus automatically also future contributions and future returns, a lot of very influential assumptions should be made, which leads to the risk of making the supervisory framework very dependent on the assumptions and the subjectivity of these assumptions.	Noted
696.	The Hundred Group of Finance Directors (UK)	19.	We do not believe that technical provisions should take any account of future accruals.	Noted
697.	The Society of Actuaries in Ireland	19.	Pension schemes typically take a balance of cost approach with flexible contributions in the future to meet the accrual of benefits	Noted

			in the future. Therefore it is our opinion that it is not necessary to take into account future accrual when establishing technical provisions. If there is no recourse to future contributions or if future contributions are fixed with no scope to adjust e.g. like an insurance contract, then future accruals should be taken into account when establishing technical provisions.	
698.	Towers Watson Deutschland GmbH	19.	We agree that the calculation of technical provisions should take account of pension rights earned on the basis of both past and future contributions. However, something else could apply if, on the basis of a contractual agreement or an entitlement under labour law, future contributions can be excluded.	Agreed, conditions amended
699.	UK Association of Pension Lawyers	19.	CfA 5 (Valuation of assets, liabilities and technical provisions): Do stakeholders agree with the proposed conditions defining in what cases IORPs should take into account future accruals or not when establishing technical provisions? We do not support the core premise of adapting Solvency II for the generality of IORPs or re-legislating for IORPs by reference to the single market or a level playing field with insurance companies without reference to whether the IORPs actually or potentially "act in a manner similar to insurance companies" or are genuinely and meaningfully competing or operating in the same market as insurance companies. See the general comments we make in relation to question 38 below. We have nonetheless provided a comment in response to the specific question raised here, in the interests of providing EIOPA with a UK technical legal perspective on this matter, but (to emphasise a point made in raised in part (2) of our general comments at the beginning of this document) our having commented on this	Noted

			question should not be interpreted as our having given explicit or implicit support to the proposition of applying Solvency II to the generality of IORPs. Furthermore, this comment can only be viewed as an initial thought in the absence of further consultation on the potential economic effects of Solvency II (see the concerns raised in part (3) of our general comments at the beginning of this document), and indeed in the absence of an opportunity to carry out a more detailed technical analysis of the proposals under consideration and of the likely practical consequences of implementing them (see the comments made in the last paragraph of part (1) of our general comments at the beginning of this document). With those important qualifications in mind, our comment in response to this specific question is that we think that the IORP Directive provisions on technical provisions should not be extended beyond accrued rights. The extent to which future service benefits represent legal rights for employees or can be changed by the sponsor is very different from Member State to Member State and from benefit to benefit, and adopting a uniform rule for funding for future service rights is likely to create significant confusion. The suggested language is also difficult to interpret.	
700.	Universities Superannuation Scheme (USS),	19.	Do stakeholders agree with the proposed conditions defining in what cases IORPs should take into account future accruals or not when establishing technical provisions? Our understanding of this question is that it is not about future accrual in the normal sense, rather it is about issues such as mandatory and unconditional indexation and the provision of discretionary benefits. USS agrees with option (i) that non-discretionary benefits should be included in establishing	Noted

			technical provisions, however, discretionary benefits should not be included.	
701.	Verband der Firmenpensionskassen (VFPK) e.V.	19.	When calculating the technical provision, both the accrued benefits on the basis of past contributions and the resulting expected future contributions have to be taken into consideration. Deviations from this method are acceptable if the expectation of future contributions can be ruled out on the basis of a contractual agreement or employment law requirement.	Agreed, condition included
702.	VHP2 (Vakorganisatie voor middelbaar en hoger pers	19.	We are in favour of taking into account only the current benefits without any future accrual. If a holistic balance sheet approach were to be chosen by the EC, future accrual could be added to the balance sheet separate from the best estimate of the liabilities. The best estimate should always be calculated on an ABO basis to keep this calculation as free of assumptions as possible. Very important in that respect is the amount of future accrual (i.e. the time horizon) taken into account.	Noted
703.	Whitbread Group PLC	19.	We see no reason for change to the current regulatory regime for UK pension schemes, which provides strong protection for member's pension benefits	Noted
704.	Zusatzversorgungskasse des Baugewerbes AG	19.	31. IORPs should not be obliged to take future accruals into account in their calculations, but they should be allowed to take them into account if their actuarial method chosen is based on the principle of (collective) equivalence.	Noted
705.	Towers Watson	19.	20. Do stakeholders agree with the proposed conditions defining in what cases IORPs should take into account future accruals or not when establishing technical provisions?	Noted

			We agree with the proposed conditions concerning when future accruals should be taken into account in technical provisions. However, careful definition will be needed to ensure that only those cases where future accruals meet these conditions are captured by the new requirements. In the UK, future contributions are often agreed and fixed for a period but subject to review at future actuarial valuations. In addition, the sponsor remains responsible for funding accrued obligations to the extent that these are not covered by contributions made by IORP members. Based on our experience, we would expect it to be a rare exception for any UK IORP to be required to include future accruals in its technical provisions.	
706.	OPSG (EIOPA Occupational Pensions Stakeholder Group)	20.	See question 13	Noted
707.	AbA Arbeitsgemeinschaft für betriebliche Altersver	20.	Yes, the AbA agrees that liabilities should be calculated gross without any amounts recoverable from insurance contracts.	Noted
708.	ABVAKABO FNV	20.	Yes, best estimate of the liabilities should be calculated without any amounts recoverable from insurance contracts. Amounts recoverable from insurance contracts are best added to the balance sheet as an asset, but at the very least separated from the best estimate liabilities.	Noted, asset-side clarified in explanatory text
709.	AEIP	20.	AEIP agrees to this proposal.	Noted
710.	AFPEN (France)	20.	EIOPA agrees that technical provisions should be calculated gross without including amounts of recoverable or alike. However, these additional assets shall be considered somehow (i.e. as auxillary own funds) as well as risk-mitigating techniques for the calculation of technical provisions.	Noted, asset-side clarified in explanatory text
712.	AMICE	20.	12. AMICE agrees with EIOPA that the best estimate of IORPs	Noted

			is calculated gross, provided that they are calculated separately.	
713.	AMONIS OFP	20.	Do stakeholders agree that the best estimate of IORPs should be calculated gross without deduction of amount recoverable from reinsurance contracts and special purpose vehicles? Yes, AMONIS OFP agrees that the best estimate of liabilities should be calculated without any amounts recoverable from insurance contracts.	Noted
714.	ANIA – Association of Italian Insurers	20.	Yes, the ANIA fully agrees with EIOPA that the best estimate of IORPs should be calculated gross without deduction of the amount recoverable from reinsurance contracts and special purpose vehicles. As such, no amendment should be made to article 77(2) subparagraph 4 of the Solvency II Framework Directive when including it into the revised IORP Directive.	Noted
715.	Association of British Insurers	20.	The ABI agrees that the best estimate should be calculated on a gross basis.	Noted
716.	Association of Consulting Actuaries (UK)	20.	Generally we agree that calculations should be based on the gross benefit and with sums recoverable from elsewhere shown separately. But this should be subject to proportionality and accuracy considerations, for example permitting the net position to be shown where the expected cashflows by an IORP are matched by payments to the IORP from a regulated insurer or allowing the value placed on such assets to be consistent with the market (not based on a surrender value).	Noted
717.	Association of French Insurers (FFSA)	20.	35. The FFSA fully agrees with EIOPA that the best estimate of IORPs should be calculated gross without deduction of the amount recoverable from reinsurance contracts and special purpose vehicles. As such, no amendment should be made to article 77(2) subparagraph for of the Solvency II Framework Directive when including it into the revised IORP Directive.	Noted

			In all cases the same principle should apply for retirement schemes provided by the insurers.	
718.	Association of Pensioneer Trustees in Ireland	20.	See response to question 12.	Noted
719.	Assoprevidenza – Italian Association for supplemen	20.	We agree to this proposal	Noted
720.	Assuralia	20.	Cfr. Q. 12 The extremely short delay for responding to the technical consultation document has forced the members of Assuralia to prioritize and to focus on a number of questions. Our lack of response to this question must not be regarded as a lack of interest or opinion.	
721.	BARNETT WADDINGHAM LLP	20.	We agree that best estimates of IORPs should be calculated using the gross benefits. We also agree that generally IORPs should be valued in totality first and then assets offset separately (subject to proportionality). For example, reinsurance contracts such as bulk annuities or longevity swaps should be treated as an asset and should be valued on a market consistent basis (i.e. not a surrender value basis). We also note that where special purpose vehicles (SPVs) are set up for pension scheme funding purposes, then the stream of future cashflows ring-fenced from the SPV to the pension scheme should be recognised as an asset for scheme funding purposes.	Noted, asset-side clarified in explanatory text

722.	Belgian Association of Pension Institutions (BVPI-	20.	Do stakeholders agree that the best estimate of IORPs should be calculated gross without deduction of amount recoverable from reinsurance contracts and special purpose vehicles? Yes, BVPI-ABIP agrees that the best estimate of liabilities should be calculated without any amounts recoverable from insurance contracts.	Noted
723.	BNP Paribas Cardif	20.	BNP Paribas Cardif fully agrees with EIOPA that the best estimate of IORPs should be calculated gross without deduction of the amount recoverable from reinsurance contracts and special purpose vehicles. As such, no amendment should be made to article 77(2) subparagraph for of the Solvency II Framework Directive when including it into the revised IORP Directive. In all cases the same principle should apply for retirement schemes provided by the insurers	Noted
724.	BRITISH PRIVATE EQUITY AND VENTURE CAPITAL ASSOCIA	20.		
725.	BT Pension Scheme Management Ltd	20.	We believe that this approach is only appropriate to the extent that the implementing rules ensure that structures whereby IORP liabilities have in effect been covered either in whole or in part through a contractual relationship with an insurance company or otherwise are not included as ongoing liabilities of the IORP, except to the extent that there is a matching asset reflecting the insurance contract on the other side of the balance sheet. It would be extremely unfortunate, and economically damaging – as well as generating unwarranted consumer concern – if the process of derisking which many defined benefit	Noted, asset-side clarified in explanatory text

			pension funds have undertaken and are likely to going forwards was not appropriately encompassed in the approach to IORP balance sheets.	
726.	CEA	20.	Yes, the CEA fully agrees with EIOPA that the best estimate of IORPs should be calculated gross without deduction of the amount recoverable from reinsurance contracts and special purpose vehicles. As such, no amendment should be made to article 77(2) subparagraph 4 of the Solvency II Framework Directive when including it into the revised IORP Directive.	Noted
727.	Charles CRONIN	20.	Yes, I agree with EIOPA that the best estimate of liabilities should be calculated gross without deduction for amounts recoverable from reinsurance contracts and special purpose vehicles. These can be accounted for under financial contingent assets on the HBS.	Noted, asset-side clarified in explanatory text
728.	Chris Barnard	20.	Yes, I agree that the best estimate of IORPs should be calculated gross without deduction of amounts recoverable from reinsurance contracts and special purpose vehicles. This should allow for a more complete and detailed analysis of the components of the best estimate, with greater clarity thereon. It is also consistent with Solvency II.	Noted
729.	CMHF (Centrale van Middelbare en Hogere Functionar	20.	Yes, best estimate of the liabilities should be calculated without any amounts recoverable from insurance contracts. Amounts recoverable from insurance contracts are best added as an asset to the balance sheet, but at the very least separated from the best estimate liabilities.	Noted, asset-side clarified in explanatory text
730.	CONFEDERATION OF BRITISH INDUSTRY (CBI)	20.		
731.	De Unie (Vakorganisatie	20.	Yes, best estimate of the liabilities should be calculated without	Noted, asset-side

	voor werk, inkomen en loop		any amounts recoverable from insurance contracts. Amounts recoverable from insurance contracts are best added as an asset to the balance sheet, but at the very least separated from the best estimate liabilities.	clarified in explanatory text
732.	Derek Scott of D&L Scott	20.	Yes, for going concern purposes. Not necessarily for other purposes.	Noted
733.	Direction Générale du Trésor, Ministère des financ	20.	Yes we agree.	Noted
734.	Ecie vie	20.	Yes	Noted
735.	European Association of Public Sector Pension Inst	20.	Do stakeholders agree that the best estimate of IORPs should be calculated gross without deduction of amount recoverable from reinsurance contracts and special purpose vehicles? EIOPA agrees that technical provisions should be calculated gross without including amounts of recoverable or alike. However, these additional assets shall be considered somehow (i.e. as auxillary own funds) as well as risk-mitigating techniques for the calculation of technical provisions.	Noted, asset-side clarified in explanatory text
736.	European Federation for Retirement Provision (EFRP	20.	Yes, the EFRP agrees with EIOPA that the best estimate of the liabilities should be calculated without any amounts recoverable from insurance contracts.	Noted
737.	Federation of the Dutch Pension Funds	20.	Yes, best estimate of the liabilities should be calculated without any amounts recoverable from insurance contracts. Amounts recoverable from insurance contracts are best added as an asset to the balance sheet, but at the very least separated from the best estimate liabilities.	Noted, asset-side clarified in explanatory text

738.	Financial Reporting Council	20.	It is rare for IORPs to use reinsurance and special purpose vehicles in the same way as insurance companies. We would question the need for the proposed regulation.	Noted
739.	FNMF – Fédération Nationale de la Mutualité França	20.	FNMF does not agree on valuation principles based on market value.	Noted
740.	FNV Bondgenoten	20.	Yes, best estimate of the liabilities should be calculated without any amounts recoverable from insurance contracts. Amounts recoverable from insurance contracts are best added to the balance sheet as an asset, but at the very least separated from the best estimate liabilities.	Noted, asset-side clarified in explanatory text
741.	Generali vie	20.	Yes	Noted
742.	German Institute of Pension Actuaries (IVS\32\45\3	20.	We agree.	Noted
743.	Groupe Consultatif Actuariel Européen.	20.	Yes	Noted
744.	Groupement Français des Bancassureurs	20.	FBIA fully agrees with EIOPA that the best estimate of IORPs should be calculated gross without deduction of the amount recoverable from reinsurance contracts and special purpose vehicles. As such, no amendment should be made to article 77(2) subparagraph for of the Solvency II Framework Directive when including it into the revised IORP Directive. In all cases the same principle should apply for retirement schemes provided by the insurers	Noted
745.	PMT-PME-Mn Services	20.	Yes, best estimate of the liabilities should be calculated without any amounts recoverable from insurance contracts. Amounts	Noted, asset-side clarified in explanatory

			recoverable from insurance contracts are best added as an asset to the balance sheet, but at the very least separated from the best estimate liabilities.	text
746.	HM Treasury/Department for Work and Pensions	20.		
747.	Institute and Faculty of Actuaries (UK)	20.	Yes. Liabilities should be gross liabilities, and such items as recoverables from (re)insurance contracts and SPVs should be taken into account as assets. In the UK smaller defined benefit IORPs will often buy an annuity from an insurance company to meet payments due to members once they retire. In addition a number of larger IORPs are putting into place longevity hedges. In both cases the intention is to protect the IORP's solvency from further improvements in longevity. EIOPA needs to consider the implications for the IORP and insurers if both were required to hold capital to back these promises.	Noted, asset-side clarified in explanatory text
748.	KPMG LLP (UK)	20.	Yes, gross liabilities are appropriate. Amounts recoverable from (re)insurance and SPVs should be taken into account as assets.	Noted, asset-side clarified in explanatory text
749.	Le cercle des épargnants	20.	Yes	Noted
750.	Macfarlanes LLP	20.	18. (CfA 5 Valuation of assets, liabilities and technical provisions) Do stakeholders agree that the best estimate of IORPs should be calculated gross without deduction of amount recoverable from reinsurance contracts and special purpose vehicles? 19. Yes. The best estimates of IORPs should be calculated gross without a deduction. The Pension Protection Fund protects broadly 90 percent of benefits and provides compensation up to 100 percent for those members who have reached their	Noted

			scheme's normal pension age.	
752.	Mercer	20.	Yes.	Noted
753.	MHP (Vakcentrale voor Middengroepen en Hoger Perso	20.	Yes, best estimate of the liabilities should be calculated without any amounts recoverable from insurance contracts. Amounts recoverable from insurance contracts are best added as an asset to the balance sheet, but at the very least separated from the best estimate liabilities.	Noted, asset-side clarified in explanatory text
755.	National Association of Pension Funds (NAPF)	20.	Do stakeholders agree that the best estimate of IORPs should be calculated gross without deduction of amount recoverable from reinsurance contracts and special purpose vehicles?	
757.	Pensioenfonds Zorg en Welzijn (PFZW)	20.	Yes, best estimate of the liabilities should be calculated without any amounts recoverable from insurance contracts. Amounts recoverable from insurance contracts are best added as an asset to the balance sheet, but at the very least separated from the best estimate liabilities.	Noted, asset-side clarified in explanatory text
758.	Predica	20.	Predica fully agrees with EIOPA that the best estimate of IORPs should be calculated gross without deduction of the amount recoverable from reinsurance contracts and special purpose vehicles. As such, no amendment should be made to article 77(2) subparagraph for of the Solvency II Framework Directive when including it into the revised IORP Directive. In all cases the same principle should apply for retirement schemes provided by the insurers	Noted

759.	prof.dr. A.A.J. Pelsser HonFIA, Netspar & Maastric	20.	Agree. Deductions should be made visible separately in the balance sheet.	Noted
760.	PTK (Sweden)	20.	Yes, PTK agrees, the best estimate of the liabilities should be calculated without any amounts recoverable from insurance contracts.	Noted
761.	Railways Pension Trustee Company Limited ("RPTCL	20.	We have not considered this question.	Noted
762.	TCO	20.	Yes, TCO agrees, the best estimate of the liabilities should be calculated without any amounts recoverable from insurance contracts.	Noted
763.	The Association of the Luxembourg Fund Industry (A	20.	The Respondents agree that technical provisions should be calculated on a gross basis without taking into account insurance recoverable; however, we suggest that the reference to "best estimate" with its implied reference to market consistency and relation to market data be removed.	Noted
764.	The Society of Actuaries in Ireland	20.	Yes, reinsurance/insurance companies have their own Solvency II risk margins so to take them into account here would be doublecounting. We believe that displaying this risk margin is appropriate for transparency reasons, however in practice the assets should net off against the liabilities. If this is not the case the difference should automatically imply the creation of an appropriate reserve.	Noted

765.	Towers Watson Deutschland GmbH	20.	We agree.	Noted
766.	UK Association of Pension Lawyers	20.	CfA 5 (Valuation of assets, liabilities and technical provisions): Do stakeholders agree that the best estimate of IORPs should be calculated gross without deduction of amount recoverable from reinsurance contracts and special purpose vehicles? We do not support the core premise of adapting Solvency II for the generality of IORPs or re-legislating for IORPs by reference to the single market or a level playing field with insurance companies without reference to whether the IORPs actually or potentially "act in a manner similar to insurance companies" or are genuinely and meaningfully competing or operating in the same market as insurance companies. See the general comments we make in relation to question 38 below. We have nonetheless provided a comment in response to the specific question raised here, in the interests of providing EIOPA with a UK technical legal perspective on this matter, but (to emphasise a point made in raised in part (2) of our general comments at the beginning of this document) our having commented on this question should not be interpreted as our having given explicit or implicit support to the proposition of applying Solvency II to the generality of IORPs. Furthermore, this comment can only be viewed as an initial thought in the absence of further consultation on the potential economic effects of Solvency II (see the concerns raised in part (3) of our general comments at the beginning of this document), and indeed in the absence of an opportunity to carry out a more detailed technical analysis of the proposals under consideration and of the likely practical consequences of implementing them (see the comments made	Noted

			in the last paragraph of part (1) of our general comments at the beginning of this document). With those important qualifications in mind, our comment in response to this specific question is that if the best estimate is to correspond to the probability-weighted average of future cash flows, it is appropriate to include in the calculation amounts recoverable from reinsurance and special purpose vehicles, where there is a right for the IORP to receive payment.	
767.	Universities Superannuation Scheme (USS),	20.	Do stakeholders agree that the best estimate of IORPs should be calculated gross without deduction of amount recoverable from reinsurance contracts and special purpose vehicles? No comment.	Noted
768.	Verband der Firmenpensionskassen (VFPK) e.V.	20.	According to Art. 77 section 2 the best estimate value will be calculated on a gross basis, i.e. without deduction of contracts which can be recovered under reinsurance contracts. Recoverable amounts under reinsurance contracts can be deducted from the calculation of best estimate value or can be valued as additional assets	Noted
769.	VHP2 (Vakorganisatie voor middelbaar en hoger pers	20.	Yes, best estimate of the liabilities should be calculated without any amounts recoverable from insurance contracts. Amounts recoverable from insurance contracts are best added as an asset to the balance sheet, but at the very least separated from the best estimate liabilities.	Noted, asset-side clarified in explanatory text
770.	Whitbread Group PLC	20.	We see no reason for change to the current regulatory regime for UK pension schemes, which provides strong protection for member's pension benefits	Noted

771.	Zusatzversorgungskasse des Baugewerbes AG	20.	We agree.	Noted
772.	Towers Watson	20.	21. Do stakeholders agree that the best estimate of IORPs should be calculated gross without deduction of amount recoverable from reinsurance contracts and special purpose vehicles? Yes. The gross liabilities should be included in technical provisions, with amounts recoverable from (re)insurance contracts and special purpose vehicles treated as assets.	Noted, asset-side clarified in explanatory text
773.	OPSG (EIOPA Occupational Pensions Stakeholder Group)	21.	See question 13	Noted
774.	AbA Arbeitsgemeinschaft für betriebliche Altersver	21.	The AbA is opposed to both options presented by EIOPA. The use of a market consistent yield curve, whether risk-free or "modified" risk-free leads to results which are too volatile to be useful for the management of an institution that covers long-term obligations spanning generations. Moreover, the specification of a particular yield curve in the implementing measures runs the risk of being the object of a political horse-trade, and therefore, not being reflective of the underlying liabilities and risk-structure of the IORP.	Noted
775.	ABVAKABO FNV	21.	The discount rate should reflect the nature of the liabilities. For guaranteed benefits without any ex-ante possibilities to lower the benefits, it makes sense to use a risk free discount rate, with appropriate best practice amendments such as an illiquidity premium or UFR. For benefits that are not unconditional, it makes sense to use a higher discount rate that reflects the security level. Alternatively, and especially if a holistic balance sheet approach	Noted, non-harmonised approach not within mandate Relation risk-free in stochastic valuation and expected return in deterministic valuation for DC clarified in

			where to be chosen by the EC, one could also choose to report the value of the unconditional liabilities based on a risk free discount rate, and separately report an option value that reflects the possibility to lower the benefits. Since the exact nature of the benefits is different in each and every Member State, a harmonised discount rate would be unsuitable. Option 1 therefore is the most appropriate, where a provision could be added that the discount rate should always reflect the level of security offered in the benefits. We understand that EIOPA considers however not to include option 1 in its advice since this would not lead to increased harmonisation. We strongly feel that this is a mistake: even though it contributes the least towards the stated goal by the EC, it is the current market practice and should at least be brought under their attention.. Option 3 would seem to leave the best options to deal with, if the holistic balance sheet were to be chosen. This leaves the best possibility to deal with Member State specific or scheme specific security level. We note however that basing any capital requirement on the level A technical provisions would still lead to higher than necessary capital requirements given the appropriate level of security.	explanatory text
776.	AEIP	21.	We disagree with both options, because we share the analysis in 9.3.69. AEIP would like to bring option 1 back on the table. The negative impacts for options 2 and 3 are far more important.	Noted, non-harmonised approach not within mandate
777.	AFPEN (France)	21.	97. AFPEN strongly opposes to concept of one single risk free interest rate term structure set by EIOPA. The very concept of such risk free interest rates must be doubted and the low level of interest rates and the volatility especially of the synthetically constructed long-term interest rates would have disastrous effects on the amount and volatility of technical provisions. This problem is amplified by the conceptual uncertainty with respect	Noted, non-harmonised approach not within mandate

			of the construction of the term structure and the aribitrariness of the interest rates at the reference dates. Due to the long duration of technical provisions these fluctuations have extreme consequences and arbitrary consequences for the balance sheets of IORPs. 98. The same holds for the weaker concept of the two-level interest rate scheme suggested by EIOPA. The arbitrariness problem of the risk free concept flushes over and therefore cannot hide the general problem of the strong dependence of technical provisions on interest rate assumptions. AFPEN therefore suggests sticking to existing provisions in Article 15 (4) b of the IORP Directive which allows to choose “prudent rates of interest” taking into account 1. the yield on the corresponding assets held by the institution and the future investment returns and/or 2. the market yields of high-quality or government bonds. These provisions also reflect the varying national pension schemes and the differences in Social and Labor law.	
780.	AMICE	21.	Pension schemes should be valued consistently with the same discount rate, otherwise there would not be a full harmonisation. The technical provisions should not depend on the sponsor covenants; there is a risk of double counting of the security provided by sponsor support if there is an allowance to use a different discount rate.	Noted
781.	AMONIS OFP	21.	What is the stakeholders’ view on the two options presented regarding the interest rate used to establish technical provisions (including the positive and negative impacts)? AMONIS OFP disagrees with both options, because we share the analysis of EIOPA in paragraph 9.3.69 that: ☐ “9.3.69.The main reasons arguing against the approach	Noted, non-harmonised approach not within mandate

			of calculating technical provisions with a market consistent risk-free interest rate are: ☐ a. The suggested approach does not allow consideration to be taken of the investment policy specific to the IORP, which is permitted in the existing Directive. ☐ b. A market-consistent valuation generally leads to a high volatility of results. This would be the case especially for IORPs with their very long-term nature which often leads to a large mismatch between assets and liabilities. Such volatility could be addressed by appropriate risk management (e.g. hedging) or by absorbing volatility by using lengthy recovery periods or in policy responses (see e.g. the OECD paper on counter-cyclical funding rules). It has to be noted though that hedging is not always possible for very long guarantees as is the case for IORPs. c. There is the risk of all IORPs reacting to changes in the risk-free interest rate at the same time and in the same way in adverse situations. This would increase the risk of pro-cyclical effects. IORPs can serve as a stabilizer for markets if they are not regulated in a way that causes pro-cyclical effects. This issue is partly dealt with in Solvency II by applying a counter-cyclical premium and through policy responses." Therefore and because the negative impacts of option 2 and 3 are too important, AMONIS OFP wishes to bring option 1 back to the table.	
782.	ANIA – Association of Italian Insurers	21.	While not excluding option 3 in advance, the ANIA favours option 2. Option 2 will lead to more consistency between different IORPs in different countries. In its analysis of the options at page 18, the ANIA suggests that EIOPA repeats the statement in paragraph 9.3.69(b) that high volatility can be hedged rather	Noted

			just than mentioning "depending on the asset mix" which makes the analysis too negative in our opinion. The ANIA has reservations as regards option 3 as the proposed flexibility might become overly complex, leading to an administrative burden for IORPs and different interpretations in different countries. Furthermore, the ANIA believes that there should be a clear guideline on the interest rate, used to establish technical provisions in the level 1 framework. Option 3 would move the discussion to level 2. As pointed out by the Commission in its Call for Advice, the lessons learned from the adaption of Solvency II should be taken into account. The ANIA wishes to highlight that many of the challenges made apparent by e.g. QIS 5 are similar for insurance undertakings and IORPs. Amongst others, these challenges are related to the areas of long term guarantees, including occupational pension products. As a result, the ANIA considers that the right approach consists in solving these problems, and introducing appropriate solutions, in both the IORP and the Solvency II Directives. However, the ANIA can only decide on a final position after a carefully executed QIS.	
783.	Association of British Insurers	21.	The ABI would favour EIOPA's Option 2 with regards to the discount rate. We would not support a move to a risk-free rate without understanding how the sponsor covenant would be valued. Option 2 allows for flexibility in the differences in IORPs between Member States.	Noted
784.	Association of Consulting Actuaries (UK)	21.	The use of a risk-free interest rate will, in the UK, in most cases result in a significant increase to the technical provisions calculated, as they are currently, based on a prudent estimate of future investment returns. Plan sponsors have alternative options, either to adopt unfunded book reserve pension plans, or to move from defined benefit to defined contribution pension	Noted Drawbacks added to explanatory text

			plans. Both of these moves will result in a reduction to the level of financial security provided to employees, compared to the existing situation where defined benefits are funded. Not only would risk free rates have (potentially disastrous) economic consequences, the rationale for their use is wholly misplaced as IORPs are not insurance companies, do not compete for pension "business", and, in the UK for instance, benefit from an adequate protection mechanism (the Pension Protection Fund).	
785.	Association of French Insurers (FFSA)	21.	36. As pointed out by the Commission in its Call for advice, the lessons learned from the adoption of Solvency II especially regarding long term guarantees should be taken into account. Many of the challenges are very similar for insurance and IORPs. As a result the FFSA militates for an approach consisting in solving these problems and introducing appropriate solutions in both IORP and Solvency II directives. 37. In any case, prudential rules and principles should be the same among Member States without leaving any option to each MS. 38. The FFSA favours option 2. Option 2 will lead to more consistency between different IORPs in different countries. FFSA suggests excluding option 3 since it appears too complex and burdensome for IORPs to deal with. In addition, this option would certainly lead to differences in interpretation and generate many discussions to come. Besides, option 3 is not in line with what the Commission wishes on the common level of security (cf. 8.3.1). The high volatility of results when dealing with a market consistent valuation could be absorbed using lengthy recovery periods.	Noted

786.	Association of Pensioneer Trustees in Ireland	21.	See response to question 12.	Noted
787.	Assoprevidenza – Italian Association for supplemen	21.	We disagree with both option, because we totally share analysis in 9.3.69. To have 2 different level of technical provision has not sense, because we will base all solvency system on the wrong one (risk free) and so the right one semms to be not useful Even comparison is non a good reason, because the level that we shouls use for comparison is not the real one and any conclusion/decision on solvency of IORP should be based on incorrect data. So we would like to bring option 1 on the table. The negative impact for option 2 and 3 are farmore important	Noted, non-harmonised approach not within mandate
788.	Assuralia	21.	Cfr. Q. 12 The extremely short delay for responding to the technical consultation document has forced the members of Assuralia to prioritize and to focus on a number of questions. Our lack of response to this question must not be regarded as a lack of interest or opinion.	Noted
789.	Balfour Beatty plc	21.	What is the stakeholders' view on the two options presented regarding the interest rate used to establish technical provisions (including the positive and negative impacts)? Option 3 (two discount rates/levels of technical provisions) is the preferred option. This could be most similar to the current arrangements, with the level B technical provisions being	Noted

			determined in a similar way to currently, and would therefore be significantly less disruptive. We are concerned that the other approaches could result in trustees wishing to invest in a pro-cyclical manner, we think this is less likely under option 3. In the UK we are currently required to disclose the funding position of the scheme on a buy-out basis (perhaps similar to Level A technical provisions under option 3). Although volatile, there is no requirement to fund over the short-term towards this level and hence the impact on schemes is low. If it becomes a requirement in future to fund at Level A we are concerned at how the volatility will be managed and also how quickly schemes would be required to reach this funding level (though as stated previously, we do not believe that it is necessary or appropriate to fund to such a level).	
790.	Bayer AG	21.	What is the stakeholders' view on the two options presented regarding the interest rate used to establish technical provisions (including the positive and negative impacts)? 1. We strongly oppose the use of a risk-free discount rate for the calculation of liabilities in IORPs. 2. This means that the pension would have to assume a zero-risk approach regarding the rate of return on possible investments. The expected returns on investment would therefore be lower. This would lead to a substantial increase in technical provisions of the pension fund, i.e. the amount of funding needed for the pension fund to be able to pay the	Noted, non-harmonised approach not within mandate Drawbacks added to explanatory text

			pension promise accrued by scheme members. This would increase costs for employers, thereby diverting money away from business investment and job creation. The result of such a regulation would lead to financial damages in rather short time. That means the risk which is intended to be avoided by this rule would be even be further encouraged. We support retention of the existing requirement in the IORP Directive of using a prudent market rate, which allows for some risk to be included in the valuation of liabilities, including high quality corporate bonds overwhelmingly used by IORPs.	
791.	BDA Bundesvereinigung der Deutschen Arbeitgeberver	21.	What is the stakeholders view on the two options presented regarding the interest rate used to establish technical provisions (including the positive and negative impacts)? 5. We strongly oppose the use of a risk-free discount rate for the calculation of liabilities in IORPs. This means that the pension would have to assume a zero-risk approach regarding the rate of return on possible investments. The expected returns on investment would therefore be lower. This would lead to a substantial increase in technical provisions of the pension fund, i.e. the amount of funding needed for the pension fund to be able to pay the pension promise accrued by scheme members. This would increase costs for employers, thereby diverting money away from business investment and job creation. The result of such a regulation would lead to financial damages in rather short time. That means the risk which is intended to be avoided by this rule would be even be further encouraged. 6. EIOPA's draft response to the Call for Advice does not specify what would be the correct risk-free rate to be used,	Noted, non-harmonised approach not within mandate Drawbacks added to explanatory text

			however using a risk-free rate would lead to pension schemes moving away from equity and corporate bonds into government bonds. Although traditionally understood to be risk-free, the current turbulences in the Eurozone debt markets clearly question that assumption. Also, this would lower the yield and therefore reduce the actual return on the investment made by the pension fund, thereby increasing the cost to the employer even further. For these reasons, we support retention of the existing requirement in the IORP Directive of using a prudent market rate, which allows for some risk to be included in the valuation of liabilities, including high quality corporate bonds overwhelmingly used by IORPs.	
792.	Belgian Association of Pension Institutions (BVPI-	21.	What is the stakeholders' view on the two options presented regarding the interest rate used to establish technical provisions (including the positive and negative impacts)? BVPI-ABIP disagrees with both options, because we share the analysis of EIOPA in paragraph 9.3.69 that: 3. "9.3.69.The main reasons arguing against the approach of calculating technical provisions with a market consistent risk-free interest rate are: 4. a. The suggested approach does not allow consideration to be taken of the investment policy specific to the IORP, which is permitted in the existing Directive. 5. b. A market-consistent valuation generally leads to a high volatility of results. This would be the case especially for IORPs with their very long-term nature which often leads to a large mismatch between assets and liabilities. Such volatility could be addressed by appropriate risk management (e.g. hedging) or by	Noted, non-harmonised approach not within mandate

			absorbing volatility by using lengthy recovery periods or in policy responses (see e.g. the OECD paper on counter-cyclical funding rules). It has to be noted though that hedging is not always possible for very long guarantees as is the case for IORPs. c. There is the risk of all IORPs reacting to changes in the risk-free interest rate at the same time and in the same way in adverse situations. This would increase the risk of pro-cyclical effects. IORPs can serve as a stabilizer for markets if they are not regulated in a way that causes pro-cyclical effects. This issue is partly dealt with in Solvency II by applying a counter-cyclical premium and through policy responses." Therefore and because the negative impacts of option 2 and 3 are too important, BVPI-ABIP wishes to bring option 1 back on the table.	
793.	BNP Paribas Cardif	21.	As pointed out by the Commission in its Call for advice, the lessons learned from the adoption of Solvency II especially regarding long term guarantees should be taken into account. Many of the challenges are very similar for insurance and IORPs. As a result BNP Paribas Cardif militates for an approach consisting in solving these problems and introducing appropriate solutions in both IORP and Solvency II directives. In any case, prudential rules and principles should be the same among Member States without leaving any option to each MS. BNP Paribas Cardif favours option 2. Option 2 will lead to more consistency between different IORPs in different countries. BNP PARIBAS CARDIF suggests excluding option 3 since it appears too complex and burdensome for IORPs to deal with. In addition, this option would certainly lead to differences in interpretation and generate many discussions to come. Besides, option 3 is not	Noted

			in line with what the Commission wishes on the common level of security (cf. 8.3.1). The high volatility of results when dealing with a market consistent valuation could be absorbed using lengthy recovery periods.	
794.	Bosch Pensionsfonds AG	21.	We strongly oppose both options presented by EIOPA. The use of a market-consistent risk-free interest rate leads to results which are too volatile for the management of an institution that covers long-term obligations spanning generations. It would also not make allowance for the specific investment policy of the IORP. The possibility to use only an interest rate based on expected returns on assets to calculate technical provisions must remain.	Noted, non-harmonised approach not within mandate
795.	Bosch-Group	21.	We strongly oppose both options presented by EIOPA. The use of a market-consistent risk-free interest rate leads to results which are too volatile for the management of an institution that covers long-term obligations spanning generations. It would also not make allowance for the specific investment policy of the IORP. The possibility to use only an interest rate based on expected returns on assets to calculate technical provisions must remain.	Noted, non-harmonised approach not within mandate
796.	BP plc	21.	We first note that this section appears to be written on the basis that a Solvency II framework will apply to all types of IORP, and as we note in our response to question 12 we do not support this. Therefore, whilst we accept that option 1 as set out in 9.3.88 is not consistent with the holistic balance sheet approach that does not imply that we consider it is not a viable option, on the contrary it is our preferred approach. We do not consider that the positive impacts set out for option 2 (and which apply to	Noted, non-harmonised approach not within mandate Drawbacks included explanatory text

			a degree also for option 3) are justified. They consist essentially of arguments for greater consistency between different IORPs and between IORPs and insurance companies without a rationale for why this is desirable. Moreover, the negative impact of these options is understated. A requirement to fund an IORP (i.e. liabilities backed by plan assets) at a risk-free interest rate level would increase very significantly the level of assets required, as is acknowledged in the consultation. An additional significant impact would be that holding of equities and other volatile assets by IORPs would become much less attractive than at present. The governing documents of many IORPs (and in some countries, legislation) do not allow a sponsoring employer to reclaim surplus assets from an IORP at least until the IORP is wound up and in some cases not even then. If an IORP is fully funded at a risk-free interest rate level, there will therefore in many cases be no rationale for the sponsoring employer to support investment in risky assets as it will not benefit from any out-performance over risk-free assets but will have to meet any shortfall if there is under-performance. This option would therefore lead not only to higher levels of funding but a major change in many countries in typical investment allocation within IORPs. The result will be an increase in the expected cost of pension provision, albeit with a reduced risk of higher than expected costs. It seems likely that this will result in more employers concluding that the cost of pension provision is not commensurate with the	

			value placed on it by employees and therefore closing IORPs to new employees and possibly to future accrual. There may also be adverse economic effects from reduced investment in equities and corporate bonds. Therefore, if a solvency II type framework is applied to IORPs, we suggest it should be on the following basis: a) that option 3 as set out in 9.3.90 be used for the calculation of technical provisions b) that only Level B technical provisions need be matched by plan assets (and even that subject to the existing provisions allowing temporary under-funding with a recovery plan), with the difference between Level A and Level B allowed to be covered by other items including sponsor covenant.	
798.	BRITISH PRIVATE EQUITY AND VENTURE CAPITAL ASSOCIA	21.		
799.	BT Group plc	21.	What is the stakeholders' view on the two options presented regarding the interest rate used to establish technical provisions (including the positive and negative impacts)? The question as to whether a risk-free rate is appropriate has not been considered and we believe evidence needs to be provided to explain why it is appropriate and more suitable than the use of a prudent assessment of the returns available on the assets held. There is also a huge practical issue over determining what a risk free discount rate is.	Noted, risk-free issue included in impact assessment

800.	BT Pension Scheme Management Ltd	21.	We feel that neither approach is appropriate as both depend too extensively on risk-free rates. We would strongly favour the use of an approach which looks to base the interest rate on expected asset returns - which allows for matching assets to be valued the same as the liabilities - rather than using the risk-free rate, which may value the liabilities more highly than matching assets. We particularly note EIOPA's concern about the potentially pro-cyclical impacts of tying all IORPs to a risk-free rate, particularly in circumstances of market turmoil. We have also seen in recent times quite how badly the market can underestimate the risk-free rate and would be concerned to see further market behaviours tied to such inappropriate estimates. Considering the current turmoil, we are not simply sure what the current risk-free rate available in the European market is.	Noted, risk-free issue included in impact assessment
801.	Bundesarbeitgeberverband Chemie e.V. (BAVC)	21.	2. We strongly oppose the use of a risk-free discount rate for the calculation of liabilities in IORPs. This means that the pension would have to assume a zero-risk approach regarding the rate of return on possible investments. The expected returns on investment would therefore be lower. This would lead to a substantial increase in technical provisions of the pension fund, i.e. the amount of funding needed for the pension fund to be able to pay the pension promise accrued by scheme members. This would increase costs for employers, thereby diverting money away from business investment and job creation. The result of such a regulation would lead to financial damages in rather short time. That means the risk which is intended to be avoided by this rule would be even be further encouraged. 3. EIOPA's draft response to the Call for Advice does not specify what would be the correct risk-free rate to be used, however using a risk-free rate would lead to pension schemes moving away from equity and corporate bonds into government	Noted, non-harmonised approach not within mandate Drawbacks included in explanatory text and risk-free issue in impact assessment

			bonds. Although traditionally understood to be risk-free, the current turbulences in the Eurozone debt markets clearly question that assumption. Also, this would lower the yield and therefore reduce the actual return on the investment made by the pension fund, thereby increasing the cost to the employer even further. For these reasons, we support retention of the existing requirement in the IORP Directive of using a prudent market rate, which allows for some risk to be included in the valuation of liabilities, including high quality corporate bonds overwhelmingly used by IORPs.	
802.	BUSINESSEUROPE	21.	BUSINESSEUROPE is strongly opposed to the use of a risk-free discount rate for the calculation of liabilities in IORPs. This means that the pension would have to assume a zero-risk approach regarding the rate of return on possible investments. The expected returns on investment would therefore be lower. This would lead to a substantial increase in technical provisions of the pension fund, i.e. the amount of funding needed for the pension fund to be able to pay the pension promise accrued by scheme members. This would increase costs for employers, thereby diverting money away from business investment and job creation. EIOPA's draft response to the Call for Advice does not specify what would be the correct risk-free rate to be used, however using a risk-free rate would lead to pension schemes moving away from equity and corporate bonds into government bonds. Although traditionally understood to be risk-free, the current turbulences in the Eurozone debt markets clearly question that assumption. Also, this would lower the yield and therefore	Noted, non-harmonised approach not within mandate Drawbacks included in explanatory text and risk-free issue mentioned in impact assessment

			reduce the actual return on the investment made by the pension fund, thereby increasing the cost to the employer even further. For these reasons, BUSINESSEUROPE supports retention of the existing requirement in the IORP Directive of using a prudent market rate, which allows for some risk to be included in the valuation of liabilities, including high quality corporate bonds overwhelmingly used by IORPs.	
803.	BVI Bundesverband Investment und Asset Management	21.	We tend to agree with EIOPA that the use of a risk free interest rate and, connected with this, the transfer of all quantitative requirements of Solvency II to IORPs (option 2), would have several negative effects, i.e. ☐ a material rise in technical provisions in many Member States and therefore higher up-front financing costs for IORPs; ☐ high volatility of results when calculating technical provisions and capital requirements due to changes in the risk free interest rate. This problem is likely to penalize many IORPs because they provide far more and longer lasting guarantees than life insurance companies do on average; ☐ pro-cyclicality effects; ☐ problems for IORPs to comply with quantitative requirements; ☐ reluctance of employers to further provide occupational pension to their employees because of higher up-front costs. From this perspective, we consider it would be worth exploring further option 3 (approach with two discount rates/levels of technical provisions), as this approach would allow taking into account the specificities of IORPs in different Member States and easing pro-cyclical effects.	Noted

			In general, the mandatory application of a risk-free-rate for funding liabilities could ultimately lead to lower benefits, either directly through lower individual benefits or indirectly through rising reluctance of sponsors to engage in occupational pensions altogether. All stakeholders – including EIOPA and the Commission – should bear the trade-off between security and adequacy of pension benefits in mind.	
804.	CEA	21.	While not excluding option 3 in advance, the CEA favours option 2. Option 2 will lead to more consistency between different IORPs in different countries. In its analysis of the options at page 18, the CEA suggests that EIOPA repeats the statement in paragraph 9.3.69(b) that high volatility can be hedged rather just than mentioning "depending on the asset mix" which makes the analysis too negative in our opinion. The CEA has reservations as regards option 3 as the proposed flexibility might become overly complex, leading to an administrative burden for IORPs and different interpretations in different countries. Furthermore, the CEA believes that there should be a clear guideline on the interest rate, used to establish technical provisions in the level 1 framework. Option 3 would move the discussion to level 2. As pointed out by the Commission in its Call for Advice, the lessons learned from Solvency II should be taken into account. The CEA wishes to highlight that many of the challenges made apparent by e.g. QIS 5 are similar for insurance undertakings and IORPs. Amongst others, these challenges are related to the areas of long term guarantees, including occupational pension products. As a result, the CEA considers that the right approach consists in solving these problems, and introducing appropriate solutions, in both the IORP and the Solvency II Directives.	Noted

			However, the CEA can only decide on a final position after a carefully executed QIS.	
805.	Charles CRONIN	21.	I do not support either option offered by EIOPA, option 'A' is open to upward bias and option 'B' does not adequately reflect the nature of IORP liabilities, nor does it address the current distortions in the government bond markets. I do support the consistent measurement of liabilities for IORPs across Europe but would suggest the introduction of a market consistent smoothing methodology. Whilst the delineation of the details would be an exercise for the Level 2 Directive, hypothetically smoothing of the discount rate on liabilities could take the form of an average of 10 year high quality corporate bond yields. The length of the average would be determined by the remaining life expectancy of the scheme Members & Beneficiaries (M & B), less 10 years to reflect the approximate duration of the underlying discounting factor. Naturally where schemes are closed or coming to the end of their lives, the remaining life expectancy declines. This shortens the average which trends to market value as the remaining life expectancy falls to 10 years. Hence this dynamic approach to the discount rate provides smoothing around a long term expected return on one hand, while progressively recognising market values on the other.	Noted
806.	Chris Barnard	21.	In general I agree with the analysis presented in Paragraphs 9.3.64 – 9.3.79, 9.3.88 – 9.3.91 and 9.3.98 – 9.3.101 regarding the interest rate used to establish technical provisions. I would generally support option 2: using the risk-free interest	Noted

			rate to establish technical provisions is internally consistent with a market-consistent valuation of assets and liabilities. It is also consistent with Solvency II. However, option 3 is interesting. This effectively splits the funding position into two levels: Level A uses a fully harmonised risk-free rate and shows the market-consistent solvency view; Level B uses expected returns on assets and shows a "real world" funding view, which could be used to steer the pace of funding and the schedule of contributions (budgeting). My concern here is that this dual approach could be confusing, and it might create public, member and beneficiary expectations that 100% funding on Level B would be adequate to secure pension entitlements, whereas Level B calculations are generally incomplete and inadequate as a measure of security. (An example of the confusion that can arise with using different bases for determining solvency, funding and budgeting occurred in the UK with the Minimum Funding Requirement (MFR), introduced in 1997. Many pension schemes which were 100% funded on this MFR basis had insufficient funds, when wound up, to fully secure members' accrued pension rights. After securing the pensions of those already retired, the active members often received only a small fraction of their expectations.) As a minimum, any implementation of option 3 should be coupled with clear and strict presentation and communication requirements, in order to better manage the expectations of members and beneficiaries.	
807.	CMHF (Centrale van Middelbare en Hogere Functionar	21.	The discount rate should reflect the nature of the liabilities. For guaranteed benefits without any ex-ante possibilities to lower the benefits, it makes sense to use a risk free discount rate, with appropriate best practice amendments such as an illiquidity premium or UFR. For benefits that are not unconditional, it	Noted, non-harmonised approach not within mandate Relation risk-free in stochastic valuation

			makes sense to use a higher discount rate that reflects the security level. Alternatively, and especially if a holistic balance sheet approach where to be chosen by the EC, one could also choose to report the value of the unconditional liabilities based on a risk free discount rate, and separately report an option value that reflects the possibility to lower the benefits. Since the exact nature of the benefits is different in each and every Member State, a harmonised discount rate would be unsuitable. Option 1 therefore is the most appropriate, where a provision could be added that the discount rate should always reflect the level of security offered in the benefits. We understand that EIOPA considers however not to include option 1 in its advice since this would not lead to increased harmonisation. We strongly feel that this is a mistake: even though it contributes the least towards the stated goal by the EC, it is the current market practice and should at least be brought under their attention. Option 3 would seem to leave the best options to deal with, if the holistic balance sheet were to be chosen. This leaves the best possibility to deal with Member State specific or scheme specific security level. We note however that basing any capital requirement on the level A technical provisions would still lead to higher than necessary capital requirements given the appropriate level of security.	and expected return in deterministic valuation for DC clarified in explanatory text
808.	CONFEDERATION OF BRITISH INDUSTRY (CBI)	21.	CBI members are strongly opposed to the use of a risk-free discount rate for the valuation of liabilities CBI members do not believe a risk-free discount rate is always appropriate for the valuation of pension liabilities for funding	Noted, non-harmonised approach not within mandate Risk-free issue included in impact

			purposes. For accounting purposes it is never so. Instead, we support the retention of the current methodology in the IORP Directive, namely for the scheme actuary to determine the appropriate discount rate on a prudent basis. In its draft response, EIOPA does not suggest what would be the correct risk-free rate to use but any choice of a risk-free rate would still involve subjectivity in choosing the rate to use, for example whether to use government gilts or swaps and also how to extrapolate the long end of the yield curve to fit the longer term liabilities. As the current tumult in the Eurozone clearly shows, even government bonds carry some risk. Even if that situation was to resolve positively, a large-scale move into gilts by pension funds would still arguably be unsustainable and lead to poorer returns, rendering previously "risk-free" assumptions as overstatements. A move to a risk-free discount rate will therefore not only put the economic viability of European companies in serious jeopardy, but it would also further foster the "illusion of certainty" among scheme trustees and members. Moving to a rate based on swaps or gilts is no more conceptually sound than using a prudent rate set up by an independent actuary on the basis of the investment strategy of the scheme. We set out below further reasons why we disagree with the proposals for a risk-free rate. Firstly, the pension scheme is an ongoing commitment for the	assessment and drawbacks added in explanatory text

			sponsoring company. There is therefore little rationale for using a discount rate that values the liabilities at more than the cost of a total scheme buyout. Competitiveness within the pensions buyout market recently has driven a sizable reduction in price. Using with a risk-free rate of return, would massively overstate scheme liabilities and that the adoption of such rate would mean companies would no longer face the prospect of having to pay a premium to crystallise the cost of meeting all their scheme obligations. Given that insurance companies are offering to buyout liabilities for less than EIOPA's proposal would place on the balance sheet, there is clearly conceptual weakness to the proposals. And secondly, more and more schemes are adopting liability driven investment strategies where the assets are invested to match the liabilities. Under the proposals if a scheme had perfectly matched assets the accounting valuation would still show a deficit due to the use of a risk-free rate to value the liabilities. This would lead to higher deficit repayments from the employer which would overtime lead to overfunding, as shown in the graph below. Whilst the current approach does not remedy this completely it goes some way to dealing with it due to the use of a discount rate that better matches a scheme's investment reality. ☐	
809.	De Unie (Vakorganisatie voor werk, inkomen en loop	21.	The discount rate should reflect the nature of the liabilities. For guaranteed benefits without any ex-ante possibilities to lower the benefits, it makes sense to use a risk free discount rate, with	Noted, non-harmonised approach not within mandate

			appropriate best practice amendments such as an illiquidity premium or UFR. For benefits that are not unconditional, it makes sense to use a higher discount rate that reflects the security level. Alternatively, and especially if a holistic balance sheet approach where to be chosen by the EC, one could also choose to report the value of the unconditional liabilities based on a risk free discount rate, and separately report an option value that reflects the possibility to lower the benefits. Since the exact nature of the benefits is different in each and every Member State, a harmonised discount rate would be unsuitable. Option 1 therefore is the most appropriate, where a provision could be added that the discount rate should always reflect the level of security offered in the benefits. We understand that EIOPA considers however not to include option 1 in its advice since this would not lead to increased harmonisation. We strongly feel that this is a mistake: even though it contributes the least towards the stated goal by the EC, it is the current market practice and should at least be brought under their attention. Option 3 would seem to leave the best options to deal with, if the holistic balance sheet were to be chosen. This leaves the best possibility to deal with Member State specific or scheme specific security level. We note however that basing any capital requirement on the level A technical provisions would still lead to higher than necessary capital requirements given the appropriate level of security.	Relation risk-free in stochastic valuation and expected return in deterministic valuation for DC clarified in explanatory text
810.	Derek Scott of D&L Scott	21.	I reject both of the options presented, as both would involve the use of risk-free interest rates. In my experience of comparing technical provisions valuations with solvency or buy-out valuations, I estimate that the use of risk-free interest rates for the schemes to which RPTCL is a trustee would increase the	Noted, drawbacks included in impact assessment

			technical provisions by around 50%, ie doublingthe amount of capital considered adequate for day-to-day requirements. The diversity of pension schemes across the EU means that offering just two options for the setting of interest rates to be used to establish technical provisions is not sufficient. I am also very concerned about the potential damaging impact on investment strategies of pension schemes as a consequence of any requirement to use a risk-free interest rate within the technical provisions. The sale of return seeking assets, together with the sale of return seeking assets by other European pension schemes, could be expected to have a large impact on European stock markets and its economy. The corollary investment strategy would be a huge increase in demand for gilt-edged securities, causing even more distortion to market yields used as a basis for discounting.	
811.	Deutsche Post AG / Deutsche Post DHL	21.	We reject both options being presented by EIOPA. The use of a market-consistent risk-free interest rates or "modified" risk-free rates results in heavy volatile figures that are inappropriate for the management of an institution that deals with and covers long-term obligations spanning generations. It would also not make allowance for the specific investment policy of the IORP. The possibility to use an interest rate based on expected returns on assets to calculate technical provisions must be maintained. However, in the circumstances in which it has been determined that a risk-free interest rate is required to be used, then we would prefer option 2 under which there would be two levels of technical provisions, Level A calculated on a risk-free basis and Level B with a discount rate calculated by reference to the expected return on assets. We believe that the Level B technical provisions should be the required level on which funding requirements would be based, with Level A technical provisions	Noted, non-harmonised approach not within mandate

			existing simply as an item for disclosure both to supervisors and to members. It should not be assumed that Level B technical provisions will converge to Level A technical provisions over a transitional period as stated in the consultation	
812.	Deutsche Post Pensionsfonds AG	21.	We reject both options being presented by EIOPA. The use of a market-consistent risk-free interest rates or "modified" risk-free rates results in heavy volatile figures that are inappropriate for the management of an institution that deals with and covers long-term obligations spanning generations. It would also not make allowance for the specific investment policy of the IORP. The possibility to use an interest rate based on expected returns on assets to calculate technical provisions must be maintained. However, in the circumstances in which it has been determined that a risk-free interest rate is required to be used, then we would prefer option 2 under which there would be two levels of technical provisions, Level A calculated on a risk-free basis and Level B with a discount rate calculated by reference to the expected return on assets. We believe that the Level B technical provisions should be the required level on which funding requirements would be based, with Level A technical provisions existing simply as an item for disclosure both to supervisors and to members. It should not be assumed that Level B technical provisions will converge to Level A technical provisions over a transitional period as stated in the consultation.	Noted, non-harmonised approach not within mandate
813.	DHL NL (Netherlands)	21.	The use of a market-consistent risk-free interest rates or	Noted, non-

			"modified" risk-free rates results in heavy volatile figures that are inappropriate for the management of an institution that deals with and covers long-term obligations spanning generations. For benefits that are not unconditional, it makes no sense to use risk-free interest rate. Therefore we reject both options being presented by EIOPA. It would also not make allowance for the specific investment policy of the IORP. The possibility to use an interest rate based on expected returns on assets to calculate technical provisions must be maintained.	harmonised approach not within mandate Relation risk-free in stochastic valuation and expected return in deterministic valuation for DC clarified in explanatory text
814.	DHL Services Limited	21.	What is the stakeholders' view on the two options presented regarding the interest rate used to establish technical provisions (including the positive and negative impacts)? We do not believe that a risk-free interest rate should be used as a solvency measure for IORPs. However, in the circumstances in which it has been determined that a risk-free interest rate is required to be used, then we would prefer option 2 under which there would be two levels of technical provisions, Level A calculated on a risk-free basis and Level B with a discount rate calculated by reference to the expected return on assets. We believe that the Level B technical provisions should be the required level on which funding requirements would be based, with Level A technical provisions existing simply as an item for disclosure both to supervisors and to members. It should not be assumed that Level B technical provisions will converge to Level A technical provisions over a transitional period as stated in the consultation. It would need to be	Noted

			demonstrated that Level B provided inadequate security before this could be considered.	
815.	DHL Trustees Limited	21.	What is the stakeholders' view on the two options presented regarding the interest rate used to establish technical provisions (including the positive and negative impacts)? We do not believe that a risk-free interest rate should be used as a solvency measure for IORPs. However, in the circumstances in which it has been determined that a risk-free interest rate is required to be used, then we would prefer option 2 under which there would be two levels of technical provisions, Level A calculated on a risk-free basis and Level B with a discount rate calculated by reference to the expected return on assets. We believe that the Level B technical provisions should be the required level on which funding requirements would be based, with Level A technical provisions existing simply as an item for disclosure both to supervisors and to members. It should not be assumed that Level B technical provisions will converge to Level A technical provisions over a transitional period as stated in the consultation. It would need to be demonstrated that Level B provided inadequate security before this could be considered.	Noted
816.	Direction Générale du Trésor, Ministère des financ	21.	We would favour a risk free interest rate term structure for the calculation of the technical provisions.	Noted

817.	Ecie vie	21.	Same appropriate solutions must be implemented in both IORP and Sovency II directives. We support option 2. The long-term nature of pension guarantees should be considered in all cases (insurance and IORP).	Noted
818.	EEF	21.	EEF disputes the proposed approach and options regarding the interest rate to be used to establish technical provisions, involving the use of risk free interest rates. Given the diversity of schemes across the EU, it is inappropriate to search for one approach.	Noted, non-harmonised approach not within mandate
819.	EFI (European Federation of Investors)	21.	The more prudent approach will be to use risk free interest rate but we have to determine what it is. It is certainly not the short term government rate. See the diversity of those between Greece and Germany although in the same currency ! The most prudent approach could then be to take the Lowest.	Noted
820.	European Association of Public Sector Pension Inst	21.	What is the stakeholders' view on the two options presented regarding the interest rate used to establish technical provisions (including the positive and negative impacts)? EAPSPI strongly opposes to concept of one single risk free interest rate term structure set by EIOPA. The very concept of such risk free interest rates must be doubted and the low level of interest rates and the volatility especially of the synthetically constructed long-term interest rates would have negative effects on the amount and volatility of technical provisions. This problem is amplified by the conceptual uncertainty with respect to the construction of the term structure and the aribitrariness of	Noted, non-harmonised approach not within mandate

			the interest rates at the reference dates. Due to the long duration of technical provisions these fluctuations have extreme consequences and arbitrary consequences for the balance sheets of IORPs. The same holds for the weaker concept of the two-level interest rate scheme suggested by EIOPA. The arbitrariness problem of the risk free concept spills over and therefore cannot hide the general problem of the strong dependence of technical provisions on interest rate assumptions. EAPSPI therefore suggests maintaining existing provisions in Article 15 (4) b of the IORP Directive which allows to choose "prudent rates of interest" taking into account 1. the yield on the corresponding assets held by the institution and the future investment returns and/or 2. the market yields of high-quality or government bonds. These provisions also reflect the varying national pension schemes and the differences in Social and Labor law.	
821.	European Federation for Retirement Provision (EFRP	21.	The EFRP is strongly opposed both options presented by EIOPA. From a perspective of market consistency, the discount rate should always reflect the nature of the liabilities. Currently, the differences in discount rates are very large between Member States. These differences exist due to the differences in the pension promises and they have historical and cultural roots, and at times reflect national Social and Labour Law. As a result of the different kind of pension plans, also the discount rates for	Noted, non-harmonised approach not within mandate

			calculating the technical provisions differ. These reflect individual schemes' circumstances. It would not be correct to impose a 'two sizes fit all' model. In order to have the appropriate valuation of liabilities, EIOPA should advice a tailor-made discount rate.	
822.	European Fund and Asset Management Association (EF	21.	We tend to agree with EIOPA that the use of a risk free interest rate and, connected with this, the transfer of all quantitative requirements of Solvency II to IORPs (option 2), would have several negative effects, i.e. ☐ a material rise in technical provisions in many Member States and therefore higher up-front financing costs for IORPs; ☐ high volatility of results when calculating technical provisions and capital requirements due to changes in the risk free interest rate. This problem is likely to penalize many IORPs because they provide far more and longer lasting guarantees than life insurance companies do on average; ☐ pro-cyclicality effects; ☐ problems for IORPs to comply with quantitative requirements; ☐ reluctance of employers to further provide occupational pension to their employees because of higher up-front costs. From this perspective, we consider it would be worth exploring	Noted

			further option 3 (approach with two discount rates/levels of technical provisions), as this approach would allow taking into account the specificities of IORPs in different Member States and easing pro-cyclical effects. There does not seem to have any negative effects, especially if Level B technical provisions were harmonized across all Member States.	
823.	FAIDER (Fédération des Associations Indépendantes	21.	The more prudent approach will be to use risk free interest rate but we have to determine what it is. It is certainly not the short term government rate. See the diversity of those between Greece and Germany although in the same currency ! The most prudent approach could then be to take the Lowest.	Noted
824.	Federation of the Dutch Pension Funds	21.	The discount rate should reflect the nature of the liabilities. For guaranteed benefits without any ex-ante possibilities to lower the benefits, it makes sense to use a risk free discount rate, with appropriate best practice amendments such as an illiquidity premium or UFR. For benefits that are not unconditional, it makes sense to use a higher discount rate that reflects the security level. Alternatively, and especially if a holistic balance sheet approach where to be chosen by the EC, one could also choose to report the value of the unconditional liabilities based on a risk free discount rate, and separately report an option value that reflects the possibility to lower the benefits. Since the exact nature of the benefits is different in each and every Member State, a harmonised discount rate would be unsuitable. Option 1 therefore is the most appropriate, where a provision could be added that the discount rate should always reflect the level of security offered in the benefits.	Noted, non-harmonised approach not within mandate Relation risk-free in stochastic valuation and expected return in deterministic valuation for DC clarified in explanatory text

			We understand that EIOPA considers however not to include option 1 in its advice since this would not lead to increased harmonisation. We strongly feel that this is a mistake: even though it contributes the least towards the stated goal by the EC, it is the current market practice and should at least be brought under their attention. Option 3 would seem to leave the best options to deal with, if the holistic balance sheet were to be chosen. This leaves the best possibility to deal with Member State specific or scheme specific security level. We note however that basing any capital requirement on the level A technical provisions would still lead to higher than necessary capital requirements given the appropriate level of security.	
825.	Financial Reporting Council	21.	We do not agree that a risk-free rate is always appropriate for determining the technical provisions of IORPs. We do not understand the reason for not presenting option 1 – maintaining the current rules of the IORP Directive – presented in paragraph 9.3.91 as we do not consider that such an approach is incompatible with the holistic balance sheet. Some members of EIOPA also seem to recognise this as option 3 suggests that one level of technical provisions might be calculated using the expected return on assets albeit with another level calculated at a risk-free rate. These levels are to be used to determine different funding rules and supervisory responses concerning possible underfunding. We see that in Solvency II, the EC is proposing that a rate higher than a risk-free rate is appropriate for certain types of businesses which are managed in a particular way. We consider that similar arguments might be made to justify the use of a discount rate greater than risk-free for IORPs. We also note that the IASB is proposing that the discount rate for insurance liabilities might either be based on the expected	Noted, non-harmonised approach not within mandate

			return from assets adjusted to allow for expected losses or a risk free rate plus a premium to allow for the illiquidity of insurance liabilities. We consider that setting risk-free discount rates based on the market price of certain assets might be inappropriate, especially in times of stress as the past months have indicated. We consider that an expected return on assets is a better option given that we consider a fulfilment value approach should be used. By expected return we consider that appropriate adjustments should be made to allow for the probability that asset cash flows might vary as a result of credit and other events that might affect future cash flows. We therefore consider that the existing IORP Directive wording which states that the discount rates should take account of asset yields and future investment returns and/or the yield of high quality or government bonds remains appropriate. We do not perceive there is a need for any further level 2 implementing measures to determine these discount rates provided there is appropriate disclosure. We consider that the market has already successfully come to terms with the current requirements.	
826.	FNMF – Fédération Nationale de la Mutualité França	21.	FNMF does not agree on valuation principles based on market value.	Noted
827.	FNV Bondgenoten	21.	The discount rate should reflect the nature of the liabilities. For guaranteed benefits without any ex-ante possibilities to lower the benefits, it makes sense to use a risk free discount rate, with appropriate best practice amendments such as an illiquidity premium or UFR. For benefits that are not unconditional, it makes sense to use a higher discount rate that reflects the	Noted, non-harmonised approach not within mandate Relation risk-free in stochastic valuation and expected return in

			security level. Alternatively, and especially if a holistic balance sheet approach where to be chosen by the EC, one could also choose to report the value of the unconditional liabilities based on a risk free discount rate, and separately report an option value that reflects the possibility to lower the benefits. Since the exact nature of the benefits is different in each and every Member State, a harmonised discount rate would be unsuitable. Option 1 therefore is the most appropriate, where a provision could be added that the discount rate should always reflect the level of security offered in the benefits. We understand that EIOPA considers however not to include option 1 in its advice since this would not lead to increased harmonisation. We strongly feel that this is a mistake: even though it contributes the least towards the stated goal by the EC, it is the current market practice and should at least be brought under their attention.. Option 3 would seem to leave the best options to deal with, if the holistic balance sheet were to be chosen. This leaves the best possibility to deal with Member State specific or scheme specific security level. We note however that basing any capital requirement on the level A technical provisions would still lead to higher than necessary capital requirements given the appropriate level of security.	deterministic valuation for DC clarified in explanatory text
828.	Generali vie	21.	Same appropriate solutions must be implemented in both IORP and Sovency II directives. We support option 2. The long-term nature of pension guarantees should be considered in all cases (insurance and IORP).	Noted
829.	German Institute of	21.	As we have already mentioned, it is questionable whether a	Noted

	Pension Actuaries (IVS\32\45\3		mark-to-market valuation of liabilities is the right approach to determine the capital requirement. The risk-free discount rate is determined according to Article 86. However, the method by which this risk-free rate is to be determined is still unknown. In the context of a holistic balance sheet, the preferable approach would be to use the two discount rate approach. If the IORP's benefits are secured by the sponsor's covenant, then to determine the minimum funding requirement, we believe that the discount rates used under IAS 19 (AA-rated corporate bonds) can be applied.	
830.	GESAMTMETALL - Federation of German employer	21.	What is the stakeholders view on the two options presented regarding the interest rate used to establish technical provisions (including the positive and negative impacts)? 7. We strongly oppose the use of a risk-free discount rate for the calculation of liabilities in IORPs. This means that the pension would have to assume a zero-risk approach regarding the rate of return on possible investments. The expected returns on investment would therefore be lower. This would lead to a substantial increase in technical provisions of the pension fund, i.e. the amount of funding needed for the pension fund to be able to pay the pension promise accrued by scheme members. This would increase costs for employers, thereby diverting money away from business investment and job creation. The result of such a regulation would lead to financial damages in rather short time. That means the risk which is intended to be avoided by this rule would be even be further encouraged. 8. EIOPA's draft response to the Call for Advice does not specify what would be the correct risk-free rate to be used,	Noted, non-harmonised approach not within mandate Drawback added to explanatory text and risk-free issue included in impact assessment

			however using a risk-free rate would lead to pension schemes moving away from equity and corporate bonds into government bonds. Although traditionally understood to be risk-free, the current turbulences in the Eurozone debt markets clearly question that assumption. Also, this would lower the yield and therefore reduce the actual return on the investment made by the pension fund, thereby increasing the cost to the employer even further. For these reasons, we support retention of the existing requirement in the IORP Directive of using a prudent market rate, which allows for some risk to be included in the valuation of liabilities, including high quality corporate bonds overwhelmingly used by IORPs.	
831.	Groupe Consultatif Actuariel Européen.	21.	We think that Option 3 (two tier technical provisions) would be a sensible starting point for a gradual and measured process of harmonisation which respects the flexibility required by Member States to control capital allocation decisions. See the answer to Q12 and the more detailed explanations in our paper "Security in Occupational Pensions".	Noted
832.	Groupement Français des Bancassureurs	21.	As pointed out by the Commission in its Call for advice, the lessons learned from the adoption of Solvency II especially regarding long term guarantees should be taken into account. Many of the challenges are very similar for insurance and IORPs. As a result the FBIA militates for an approach consisting in solving these problems and introducing appropriate solutions in both IORP and Solvency II directives. In any case, prudential rules and principles should be the same among Member States without leaving any option to each MS. FBIA favours option 2. Option 2 will lead to more consistency	Noted

			between different IORPs in different countries. FBIA suggests excluding option 3 since it appears too complex and burdensome for IORPs to deal with. In addition, this option would certainly lead to differences in interpretation and generate many discussions to come. Besides, option 3 is not in line with what the Commission wishes on the common level of security (cf. 8.3.1). The high volatility of results when dealing with a market consistent valuation could be absorbed using lengthy recovery periods.	
833.	PMT-PME-Mn Services	21.	The discount rate should reflect the nature of the liabilities. For guaranteed benefits without any ex-ante possibilities to lower the benefits, it makes sense to use a risk free discount rate, with appropriate best practice amendments such as an illiquidity premium or UFR. For benefits that are not unconditional, it makes sense to use a higher discount rate that reflects the security level. Alternatively, and especially if a holistic balance sheet approach where to be chosen by the EC, one could also choose to report the value of the unconditional liabilities based on a risk free discount rate, and separately report an option value that reflects the possibility to lower the benefits. Since the exact nature of the benefits is different in each and every Member State, a harmonised discount rate would be unsuitable. Option 1 therefore is the most appropriate, where a provision could be added that the discount rate should always reflect the level of security offered in the benefits. We understand that EIOPA considers however not to include option 1 in its advice since this would not lead to increased	Noted, non-harmonised approach not within mandate Relation risk-free in stochastic valuation and expected return in deterministic valuation for DC clarified in explanatory text

			harmonisation. We strongly feel that this is a mistake: even though it contributes the least towards the stated goal by the EC, it is the current market practice and should at least be brought under their attention. Option 3 would seem to leave the best options to deal with, if the holistic balance sheet were to be chosen. This leaves the best possibility to deal with Member State specific or scheme specific security level. We note however that basing any capital requirement on the level A technical provisions would still lead to higher than necessary capital requirements given the appropriate level of security.	
834.	HM Treasury/Department for Work and Pensions	21.	We are very disappointed that option to retain the approach based on return on assets (Option 1) appears to have been discounted – particularly for those pension funds with a strong employer covenant. No good reason for this is given. The rationale is simply that "Option 1 is not compatible with the holistic balance sheet". However, it is not clear at all why this is incompatible with the holistic balance sheet. The holistic balance sheet is only a mechanism by which all assets and liabilities can be valued. It does not follow that all assets and liabilities need to be assessed using precisely the same criteria. Furthermore, the long-term, illiquid, and fixed, nature of pension fund liabilities means that it is entirely appropriate and prudent to expect those pension funds to invest in equities and other higher-yielding instruments without introducing a risk that cannot be covered by the sponsoring employer. In that light, the UK Govt is particularly concerned that the option of using a discount curve more akin to the actual risks faced by – ie. based on the curve for AA corporate bonds as prescribed in the current IORPS Directive – as been omitted from any consideration. With respect to the two options EIOPA do put forward, both are based on use of a risk-free discount rate. The negative impacts	Noted, non-harmonised approach not within mandate Reasoning for leaving out option 1 changed Drawbacks addressed in explanatory text

			from imposing a risk-free discount rate under either option far outweigh any potential positive effects. We feel unable to comment specifically on Option 3, given that there is no clarity on what the consequences would be for sponsor-backed IORPs in terms of the assets they would need to hold. In the absence of clarity over how Option 3 might work, both the options put forward by EIOPA will be overly prudential and lead both to increased capital requirements on a very large scale , and introduction of massive artificial volatility on the pension fund balance sheet as movement in assets valuations is no longer reflected in changes to the valuation of liabilities. While this could be mitigated to an extent by hedging, this is expensive (with all additional costs inevitably passed to scheme members) and unnecessary as the volatility is artificial in the sense that it does not reflect volatiltiy in risks to the scheme. This will strongly incentivise all sponsoring employers who can to close their pension scheme to new members and new contributions and "buy out" their existing liabilities. Remaining pension funds will be strongly incentivised to derisk on a large scale to avoid artificial volatility. Given the €500bn invested in equities, and a further €2-300bn invested in corporate bonds, the resultant shifts in investment behaviour will reduce capital available to the corporate sector by over €500bn, significantly reducing prospects of growth, and destabilising capital markets. These damaging behavioural effects are likely to be seen equally for option 3 even if assets were only required to meet Level B technical provisions. The approach would quantify the additional pressure on the sponsor covenant, creating an incentive for pension funds to avoid the subsequent artificial balance sheet volatity which would create very large (albeit notional) pressures on the sponsor, which would be evident to investors, during stressed markets.	

			We have serious concerns that the consultation does not identify the positive and negative impacts of these options, and certainly does not explore the negative effects in any depth in the EIOPA. In the absence of any benefits on a comparable scale to these massive costs,and the absence of any clarity of how option 3 might work in practice, neither option 2 or 3 should be considered. The "No Change" is the only option that should be included. The hitherto unexplored option of using the AA corporate bond curve is the only other option that might avoid these huge costs.	
835.	HVB Trust Pensionsfonds AG	21.	The use of a market-consistent risk-free interest rate leads to an extreme volatile result, specially for live-long payments. A valuation-method is needed, where the interes-rate is based on the expected returns on assets.	Noted
836.	IBM Deutschland Pensionskasse VVaG and IBM Deutsch	21.	We strongly oppose both options presented by EIOPA. The use of a market-consistent risk-free interest rate leads to results which are too volatile for the management of an institution that covers long-term obligations spanning generations. It would also not make allowance for the specific investment policy of the IORP. The possibility to use only an interest rate based on expected returns on assets to calculate technical provisions must remain.	Noted, non-harmonised approach not within mandate
837.	IMA (Investment Management Association)	21.	It is unclear why applying a risk-free interest rate to calculate the technical provisions of IORPs would be appropriate. Once again, this appears to be a read-across from Solvency II that does not take into account the specificities of pension schemes. In particular, the long-term nature of their liabilities, the risk-pooling mechanisms embedded within those schemes and the existence of employer support allow significant exposure both to relatively liquid risk assets and more illiquid investments. Moving to a risk-free interest rate would sharply force up	Noted. Draft advice mentioned that long-term nature should be taken into account

			technical provisions and likely make it both unattractive for employers to continue funding DB provision.	
838.	Institute and Faculty of Actuaries (UK)	21.	If any change is to be imposed on UK IORPs, we would consider the Level A / Level B method to be the approach best suited to the UK market, given our history and where we are today. Indeed if harmonisation is an over-arching goal, we believe that the only way in which such change could reasonably be implemented in the UK would be to replace: ☐ the current requirement to calculate a solvency estimate with a requirement to calculate Level A technical provisions and ☐ the current requirement to calculate technical provisions with a requirement to calculate Level B technical provisions. (The present governance requirements around setting technical provisions would then need to be retained in respect of the Level B technical provisions.) Even so we see a need for an orderly and long transitional regime (of some 15-20 years) and to allow time for a practical and agreed system for evaluating sponsor support (see Q33). We consider a comprehensive and detailed impact assessment particularly important on these issues. Moreover a key component of the scope of such an assessment would be a clarity on what regulators would require when looking both at Level A and Level B funding positions.	Noted, need of quantitative impact assessment is stressed
839.	KPMG LLP (UK)	21.	We see the Level A / Level B approach as the only way in which any such change as suggested by the consultation could possibly be implemented in the UK, if harmonisation is an over-arching goal. However we believe that much further work is required to establish the regulatory regime for Level A technical provisions,	Noted

			as per our comments on the holistic balance sheet, and taking account of what the regulatory regime would be for Level B technical provisions.	
840.	Le cercle des épargnants	21.	Same appropriate solutions must be implemented in both IORP and Sovency II directives. We support option 2. The long-term nature of pension guarantees should be considered in all cases (insurance and IORP).	Noted
841.	MAN Pensionsfonds Aktiengesellschaft	21.	We strongly oppose both options presented by EIOPA. The use of a market-consistent risk-free interest rate leads to results which are too volatile for the management of an institution that covers long-term obligations spanning generations. It would also not make allowance for the specific investment policy of the IORP. The possibility to use only an interest rate based on expected returns on assets to calculate technical provisions must remain.	Noted, non-harmonised approach not within mandate
842.	MAN SE	21.	We strongly oppose both options presented by EIOPA. The use of a market-consistent risk-free interest rate leads to results which are too volatile for the management of an institution that covers long-term obligations spanning generations. It would also not make allowance for the specific investment policy of the IORP. The possibility to use only an interest rate based on expected returns on assets to calculate technical provisions must remain.	Noted, non-harmonised approach not within mandate
844.	Mercer	21.	Option 3 appears to us to be the optimum solution. It would mean that: ☐ Schemes had to present technical provisions calculated on a consistent basis (the risk free, Level A, calculation); and	Noted

			☐ There would be flexibility about the different asset classes available for financing Level A technical provisions so that the way benefit security was achieved would reflect the legal construct of the IORP. We do not agree that Option 2 would lead to better transparency than any of the other options. In each case the scheme could be required to illustrate the calculation of future cash flows using a risk free rate and show the difference between the calculated technical provision and the 'risk free' calculation. So Option 2 provides no greater transparency than the others. We agree with the positive impacts listed for Option 3 and consider that, by providing a flexible regulatory regime that can respond to market cycles, EIOPA will enable continued defined benefit provision and so greater stability of retirement benefits for occupational pension scheme members. The alternatives are likely to result in a faster decline of defined benefit provision, and greater reliance on defined contribution arrangements, leaving employees with greater uncertainty about their pension outcomes. We do not agree that, if Level B technical provisions were not the same across all member states, this would mean full harmonisation had not been achieved; in our view, harmonisation, in terms of a similar calculation, would be achieved via the Level A measure. Then, provided the assumptions and methodology for calculating Level B technical provisions are required to be chosen prudently, a concept that could be further developed via the implementation measures,	

			although the calculation would not lead to the same measure for Level A in all cases, it should lead to similar degrees of security for all scheme members.	
845.	MHP (Vakcentrale voor Middengroepen en Hoger Perso	21.	The discount rate should reflect the nature of the liabilities. For guaranteed benefits without any ex-ante possibilities to lower the benefits, it makes sense to use a risk free discount rate, with appropriate best practice amendments such as an illiquidity premium or UFR. For benefits that are not unconditional, it makes sense to use a higher discount rate that reflects the security level. Alternatively, and especially if a holistic balance sheet approach where to be chosen by the EC, one could also choose to report the value of the unconditional liabilities based on a risk free discount rate, and separately report an option value that reflects the possibility to lower the benefits. Since the exact nature of the benefits is different in each and every Member State, a harmonised discount rate would be unsuitable. Option 1 therefore is the most appropriate, where a provision could be added that the discount rate should always reflect the level of security offered in the benefits. We understand that EIOPA considers however not to include option 1 in its advice since this would not lead to increased harmonisation. We strongly feel that this is a mistake: even though it contributes the least towards the stated goal by the EC, it is the current market practice and should at least be brought under their attention. Option 3 would seem to leave the best options to deal with, if the holistic balance sheet were to be chosen. This leaves the best possibility to deal with Member State specific or scheme specific security level. We note however that basing any capital requirement on the level A technical	Noted, non-harmonised approach not within mandate Relation risk-free in stochastic valuation and expected return in deterministic valuation for DC clarified in explanatory text

			provisions would still lead to higher than necessary capital requirements given the appropriate level of security.	
847.	National Association of Pension Funds (NAPF)	21.	What is the stakeholders' view on the two options presented regarding the interest rate used to establish technical provisions (including the positive and negative impacts)? NAPF is very concerned that the discussion paper presents only two options, both involving the use of risk-free interest rates. The paper should also present an option based on the status quo. The diversity of pension schemes across the EU means that a wide range of discount rates is used. These reflect individual schemes' circumstances. It is wrong to impose a 'two sizes fit all' model. Option 2 – risk-free discount rate The use of a risk-free discount rate is inappropriate for long-term pension provision, not least if we wish to encourage pension schemes to invest at least partly in risk-seeking, higher return assets such as equities. The NAPF's research across a sample of our member pension schemes indicates that the likely switch to the use of a risk-free discount rate to value the 'best estimate of liabilities' would increase technical provisions by an average of around 27%. This equates to an increase in technical provisions across all UK DB schemes of €337 bn.	Noted, drawbacks option 2 included in explanatory text

			Additional components, such as the 'risk buffer' and 'solvency capital requirement' would drive these figures even higher. As discussed above under Question 12, this major increase in technical provisions would have damaging effects for members, sponsoring companies and the wider economy. Option 3 – Level A and Level B technical provisions The proposal for a two-level approach to valuing technical provisions could provide a useful methodology. However, the consultation paper gives no detail on how the 'fixed, but not risk-free, interest rate curve' to be employed for the 'Level B' calculation is to be chosen. Instead, this is to be left to level 2 implementing measures. The paper also gives no explanation of how and when the two alternative measures would be used. Again, this is unacceptable – especially given the importance of the discount rate issue in pension scheme funding. Further detail and explanation is needed on how the risk-free rate would be determined.	

849.	NORDMETALL, Verband der Metall- und Elektroindustr	21.	What is the stakeholders view on the two options presented regarding the interest rate used to establish technical provisions (including the positive and negative impacts)? 5. We strongly oppose the use of a risk-free discount rate for the calculation of liabilities in IORPs. This means that the pension would have to assume a zero-risk approach regarding the rate of return on possible investments. The expected returns on investment would therefore be lower. This would lead to a substantial increase in technical provisions of the pension fund, i.e. the amount of funding needed for the pension fund to be able to pay the pension promise accrued by scheme members. This would increase costs for employers, thereby diverting money away from business investment and job creation. The result of such a regulation would lead to financial damages in rather short time. That means the risk which is intended to be avoided by this rule would be even be further encouraged. 6. EIOPA's draft response to the Call for Advice does not specify what would be the correct risk-free rate to be used, however using a risk-free rate would lead to pension schemes moving away from equity and corporate bonds into government bonds. Although traditionally understood to be risk-free, the current turbulences in the Eurozone debt markets clearly question that assumption. Also, this would lower the yield and therefore reduce the actual return on the investment made by the pension fund, thereby increasing the cost to the employer even further. For these reasons, we support retention of the existing requirement in the IORP Directive of using a prudent market rate, which allows for some risk to be included in the valuation of liabilities, including high quality corporate bonds	Noted, non-harmonised approach not within mandate. Drawbacks added to explanatory text and risk-free issue included in impact assessment

			overwhelmingly used by IORPs.	
850.	OECD Secretariat to the Working Party on Private P	21.	What is the stakeholders' view on the two options presented regarding the interest rate used to establish technical provisions (including positive and negative impacts)? Use of a spot market discount rate for purposes of determining capital requirements may encourage a short-term investment horizon or encourage pro-cyclical behaviour. For a further discussion, see the answer to question 36 and the OECD Working Paper on "The Impact of the Financial Crisis on Defined Benefit Plans and the Need for Counter-Cyclical Funding Regulations" (http://www.oecd.org/dataoecd/22/11/45694491.pdf).	Noted, drawbacks strengthened in impact assessment
852.	Pensioen Stichting Transport (Netherlands)	21.	The use of a market-consistent risk-free interest rates or "modified" risk-free rates results in heavy volatile figures that are inappropriate for the management of an institution that deals with and covers long-term obligations spanning generations. For benefits that are not unconditional, it makes no sense to use risk-free interest rate. Therefore we reject both options being presented by EIOPA. It would also not make allowance for the specific investment policy of the IORP. The possibility to use an interest rate based on expected returns on assets to calculate technical provisions must be maintained.	Noted, non-harmonised approach not within mandate Relation risk-free in stochastic valuation and expected return in deterministic valuation for DC clarified in explanatory text

853.	Pensioenfonds Zorg en Welzijn (PFZW)	21.	The discount rate should reflect the nature of the liabilities. For guaranteed benefits without any ex-ante possibilities to lower the benefits, it makes sense to use a risk free discount rate, with appropriate best practice amendments such as an illiquidity premium or UFR. For benefits that are not unconditional, it makes sense to use a higher discount rate that reflects the security level. Alternatively, and especially if a holistic balance sheet approach where to be chosen by the European Commission, one could also choose to report the value of the unconditional liabilities based on a risk free discount rate, and separately report an option value that reflects the possibility to lower the benefits. Since the exact nature of the benefits is different in each and every Member State, a harmonised discount rate would be unsuitable. Option 1 therefore seems the most appropriate, where a provision could be added that the discount rate should always reflect the level of security offered in the benefits. We understand that EIOPA considers however not to include option 1 in its advice since this would not lead to increased harmonisation. We strongly feel that this is a mistake: even though it contributes the least towards the stated goal by the EC, it is the current market practice and should at least be brought under their attention. Option 3 would seem to leave the best options to deal with, if the holistic balance sheet were to be chosen. This leaves the best possibility to deal with Member State specific or scheme specific security level. We note however that basing any capital requirement on the level A technical provisions would still lead to higher than necessary capital requirements given the appropriate level of security.	Noted, non-harmonised approach not within mandate Relation risk-free in stochastic valuation and expected return in deterministic valuation for DC clarified in explanatory text
854.	Predica	21.	As pointed out by the Commission in its Call for advice, the lessons learned from the adoption of Solvency II especially	Noted

			regarding long term guarantees should be taken into account. Many of the challenges are very similar for insurance and IORPs. As a result Predica militates for an approach consisting in solving these problems and introducing appropriate solutions in both IORP and Solvency II directives. In any case, prudential rules and principles should be the same among Member States without leaving any option to each MS. Predica favours option 2. Option 2 will lead to more consistency between different IORPs in different countries. Predica suggests excluding option 3 since it appears too complex and burdensome for IORPs to deal with. In addition, this option would certainly lead to differences in interpretation and generate many discussions to come. Besides, option 3 is not in line with what the Commission wishes on the common level of security (cf. 8.3.1). The high volatility of results when dealing with a market consistent valuation could be absorbed using lengthy recovery periods.	
855.	prof.dr. A.A.J. Pelsser HonFIA, Netspar & Maastric	21.	Unfortunately, there seems to be a lot of confusion on the "correct" calculation of market-consistent values. The source of confusion seems to be, that there are multiple calculation methods which all lead to the same (correct) answer. Let us consider the example of pension liabilities with conditional indexation. One calculation method starts with identifying nominal guaranteed cash flows, these should be discounted with the nominal risk-free term-structure of interest rates. Then, conditional indexation is values separately as additional options. Another calculation method starts with identifying fully indexed (i.e. real) cash flows. These need to be discounted with the	Noted Relation risk-free in stochastic valuation and expected return in deterministic valuation for DC clarified in explanatory text

			term-structuer of real interest rates. Then the option to pay less that 100% indexation is valued separately. If implemented correctly, both calculations lead to the same market-consistent value of the conditional indexation. 13. Our advice: do not add to the confusion by imposing a discount curve, but make sure that IORP's perform a correct market-consistent calculation. This is already covered by: "Member States shall ensure that IORPs value their liabilities on a market consistent basis"	
856.	PTK (Sweden)	21.		
857.	Punter Southall Limited	21.	Although we fundamentally disagree with the introduction of Solvency II for IORPS, if EIOPA decide to recommend the holistic balance sheet regardless, we strongly urge them to consider adopting the alternative valuation approach with two levels of technical provisions (level A and level B) where 'Level B technical provisions', calculated using an interest rate based on expected asset returns, are used as the basis for the funding of IORPS, whereas Level A technical provisions are calculated solely for the purpose of disclosure to members and supervisors.	Noted
858.	Railways Pension Trustee Company Limited ("RPTCL	21.	RPTCL would object to the use of risk-free interest rates in the calculation of technical provisions for the purposes of calculating contribution rates. We estimate that the use of risk-free interest rates for the schemes to which RPTCL is a trustee would increase the technical provisions by 13 billion euros. Of this increase, the shared cost nature of the schemes to which RPTCL is a trustee would mean that 40% of this increase in technical provisions (i.e. more than 5 billion euros) would fall on the active members of these schemes, of which there are around 85,000. This equates to around 60,000 euros for each active member.	Noted, drawbacks included in explanatory text

			In addition, RPTCL is concerned about the potential impact on investment strategies of European pension schemes as a consequence of any requirement to use a risk-free interest rate within the technical provisions. Using our own schemes as an example, the schemes hold around 18 billion euros of return seeking assets but there may be disadvantages from holding this type of asset if technical provisions are measured using risk-free rates. The sale of our return seeking assets, together with the sale of return seeking assets by other European pension schemes, could be expected to have a large impact on both European stock markets and the European economy as a whole. In addition, changes in pension schemes' investment strategies would lead to a huge increase in demand for gilt-edged securities, causing even more distortion to market yields used as a basis for discounting.	
859.	Reed Elsevier Group plc	21.	We believe that the basis for the calculation of technical reserves should allow cashflows to be discounted at the rate of return expected from the assets held by the IORP. Any use of a risk free rate of return in the valuation of liabilities will create serious practical problems for pension schemes. We believe that the notion of a "risk free" rate is itself misguided. It must be clear now, given the crisis in European sovereign debt, that what was once considered to be a risk free security is no longer. Many sovereigns are now rated single A or lower. Corporates in these counties have higher credit ratings. The concept of "risk free" is no longer valid and cannot be applied to pension schemes as EIOPA recommend.	Noted, non-harmonised approach not within mandate Drawbacks included in explanatory text

			The change to the discount rate used to calculate the technical reserves of the UK Pension Scheme to the returns available on risk free assets, namely UK Government index linked gilts, would increase the size of the UK scheme's technical reserves by more than 50%. There would also be an increase in the cost of accruing benefits. This would lead to a substantial increase, in excess of 50%, in funding costs to the UK sponsoring companies and there would be two likely results. Firstly the UK sponsoring companies would almost certainly consider the additional funding cost unacceptably high and be forced to close the scheme to future accruals. There have already been many changes to UK pension scheme accrual rates and design as a result of the higher cost of providing pensions benefits due to the low level of yields available and improving longevity. Replacement schemes tend to be of the defined contribution type which transfer investment risk to the employee. Secondly the sponsor would have to divert considerable resources to make up the deficit even assuming an extended implementation period for the recovery plan. This would have a considerable impact upon the ability of the sponsor to invest in its businesses and its staff. It is plausible that employment would be reduced as a result of the need to divert cashflow in this way. Reed Elsevier is not in a unique position with regard to its UK pension scheme. On an ongoing basis the Scheme held assets worth 93% of its technical reserves at the time of the last	

			triennial valuation in April 2009. Many UK pension schemes have larger deficits. If Solvency II is applied to such schemes there will be considerably less investment by such companies whilst cashflow is diverted away from the business towards the pension fund. This will impact upon employment and over time the competitive position of European companies. The use of the risk free rate for UK pension schemes en mass also creates some practical difficulties. There are approximately £1,140bn of UK Government Securities but only £313bn of these are fixed interest gilts with a maturity greater than 15 years and £147bn are index linked gilts with a maturity greater than 15 years. It is these longer term bonds that are of most interest to pension schemes with long term liabilities. It is estimated that there are about £1,000bn of assets in UK pension schemes. Therefore the sum total of risk free assets in the UK with a maturity of interest to pension schemes is considerably less than the assets of UK pension funds. UK pension schemes have increasingly sought to match their assets to their liabilities to reduce interest rate risk. This is without the incentive of being required to hold additional capital against any asset that is not risk free. The new regulations will substantially increase the incentive to hold risk free assets that match UK pension schemes' liabilities and this will lower the yields available on such assets resulting in two potential problems. 1. Lower yields on risk free assets lowering discount rates. Firstly, lower gilt yields as a result of pension funds switching	

			into risk free assets will increase the valuation of the liabilities in the technical reserves. Although pension schemes are not required to hold matching assets some may feel required to hold such assets to reduce the risk of further declines in interest rates resulting in rising costs. In this way falling yields actually increase the demand for government bonds. We can see some evidence for this in UK government debt markets where pension funds have increased holdings as prices have risen. It might be thought that these changes would occur over time given an extended period before full implementation of the terms of solvency II. However even if there were to be a 15 year implementation period many schemes would consider early matching to be prudent, especially if yields were falling as seems likely. 2. Distorted asset values. The second problem relates to the distorting effects that excessively low gilt yields can have on both investors and the economy. We have seen over the past decade that when interest rates have been too low, risk has often been underestimated by investors seeking a higher yield and capital has been allocated unwisely. In extremis, poorly allocated capital can destabilise economies. The global economy is still recovering from the poor allocation of capital in recent years. At the same time the rapid selling of equities and corporate debt to reinvest in risk free securities would impact share prices and	

			corporate bond yields and would potentially be devastating for companies and the economy. It would also depress the market value of pension fund assets. Thus the distortion of asset prices as a result of predictable changes in asset allocation by pension schemes could increase the risks facing pension schemes, rather than reduce them. This is contrary to the aims of this proposal. In summary we believe that the limited additional security provide by these regulations is more than offset by the additional cost to employers, which will affect competitiveness and future unemployment levels, and the direct impact on active members of pension schemes, who will find themselves no longer accruing benefits. If a risk free approach is used, despite the obvious drawbacks, we suggest that level B is employed that would provide a discount rate with some allowance for the expected return on assets.	
860.	RWE Pensionsfonds AG	21.	Neither option presented by EIOPA is adequate. The use of a market-consistent risk-free interest rate leads to volatile funding ratios as normally a diversified investment will not be invested in one single "risk-free" investment. Also it will be very difficult to define a "risk-free" rate considering European harmonisation, as a harmonised "risk-free" rate should not be based on a single nation's yield curve. Calculating two different technical provisions only increases the workload and cost of an IORP. ALM works best if the discount rate makes allowance for the specific investment policy. Therefore it should still be possible to calculate technical	Noted, non-harmonised approach not within mandate

			provisions with an interest rate which is derived from expected returns.	
861.	Siemens Aktiengesellschaft (Germany)	21.	What is the stakeholders' view on the two options presented regarding the interest rate used to establish technical provisions (including the positive and negative impacts)? We strongly oppose both options presented by EIOPA. The use of a market-consistent risk-free interest rate leads to results which are too volatile for the management of an institution that covers long-term obligations spanning generations. It would also not make allowance for the specific investment policy of the IORP. The possibility to use only an interest rate based on expected returns on assets to calculate technical provisions must remain.	Noted, non-harmonised approach not within mandate
862.	Siemens Pensionsfonds AG (GER)	21.	What is the stakeholders' view on the two options presented regarding the interest rate used to establish technical provisions (including the positive and negative impacts)? We strongly oppose both options presented by EIOPA. The use of a market-consistent risk-free interest rate leads to results which are too volatile for the management of an institution that covers long-term obligations spanning generations. It would also not make allowance for the specific investment policy of the IORP. The possibility to use only an interest rate based on expected returns on assets to calculate technical provisions must remain.	Noted, non-harmonised approach not within mandate
863.	Standard Life Plc	21.	As stated above in our answer to question 14, we do not support a risk-free rate discounting methodology and we believe that such a change would be so significant for UK pension schemes	Noted

			that it could jeopardise pension provision for future service benefits, discretionary practises or other aspects of staff remuneration. We do not believe this is consistent with the objectives of the review of the IORP directive.	
865.	Tesco PLC	21.	11. What is the stakeholder's view on the two options presented regarding the interest rate used to establish technical provisions (including the positive and negative aspects)? 12. Both options involve the use of risk free interest rates. The diversity of schemes across the EU means that a wide range of discount rates are currently used to reflect the circumstances of each individual scheme. It is wrong to impose a "two sizes" fits all model. Instead technical provisions should be based on a discount rate that reflects the circumstances of the individual scheme (e.g. types of investments, size of scheme, currency and home country). The use of risk-free rates (e.g. based on Government bonds) would produce volatile liability values from year to year (even though the underlying benefit promises remain the same). This will be difficult to plan for unless the underlying assets are invested directly in these bonds. However the removal of billions of pounds from the stock market would have wide ranging consequences on the economy and increase the cost of providing a DB scheme significantly.	Noted, drawbacks included in explanatory text
866.	The Association of Pension Foundations (Finland)	21.	Technical interest rate in IORP should be maintained. Yet it should be more clearly stated that an IORP has possibility to use higher interest rate because of actual investment returns. Current practise allows different member countries to use different interest rates.	Noted, non-harmonised approach not within mandate
867.	The Association of the Luxembourg Fund	21.	The Respondents do not agree with the options presented by EIOPA.	Noted, non-harmonised approach

	Industry (A		From a perspective of market consistency, the discount rate should always reflect the nature of the liabilities. Currently, the differences in discount rates are very large between Member States. These differences exist due to the differences in the pension promises and they have historical and cultural roots, and at times reflect national Social and Labour Law. As a result of the different kind of pension plans, also the discount rates for calculating the technical provisions differ. These reflect individual schemes' circumstances. It would not be correct to impose a 'two sizes fit all' model. In order to have the appropriate valuation of liabilities, EIOPA should advice a tailor-made discount rate. Furthermore, the very concept of a risk-free rate would need to be examined in the light of current market movements before it could be introduced into any regulatory text.	not within mandate. Risk-free issue included in impact assessment
868.	The Hundred Group of Finance Directors (UK)	21.	As noted in the 'General Comments' section and in our answer to Q14 above, we do not believe that a risk-free interest rate should be used at all. However, in the circumstances in which it has been determined that a risk-free interest rate is required to be used, then we would prefer option 2 under which there would be two levels of technical provisions, Level A calculated on a risk-free basis and Level B with a discount rate calculated by reference to the expected return on assets. We believe that the Level B technical provisions should be the required level on which funding requirements would be based, with Level A technical provisions existing simply as an item for disclosure both to supervisors and to members.	Noted

			It should not be assumed that Level B technical provisions will converge to Level A technical provisions over a transitional period as suggested in the consultation. It would need to be demonstrated that Level B provided inadequate security before this could be considered.	
869.	The Society of Actuaries in Ireland	21.	In Ireland, the expected return approach is adopted when determining the discount rate to use in the valuation of liabilities. Whilst a move to a "risk-free" rate would create greater security, the financial impact of such an approach would likely to lead to the closure of many schemes or a material reduction in benefits. Once the details of Solvency II are finalised and made available, this question should be readdressed.	Noted
870.	The Trustees of the RNLI 1983 Contributory Pension	21.	What is the stakeholders' view on the two options presented regarding the interest rate used to establish technical provisions (including the positive and negative impacts)? Option 3 (two discount rates/levels of technical provisions) is our preferred option. It appears to us that this option could be most similar to the current funding regime, with Level B being similar to current technical provisions and Level A similar to a buy-out funding level. Current disclosure of the funding position on a buy-out basis does not impact schemes or sponsors negatively, however, if	Noted

			this (or the Level A liabilities) were made a funding target in future we believe this could serious consequences for the sponsors of IORPS.	
871.	Towers Watson Deutschland GmbH	21.	From our perspective both options presented, a risk-free discount rate or any intermediate approach, would lead to highly volatile liability amounts. If, as should be the case, consistency between the valuation of assets and liabilities is intended, we believe that this is best reflected by setting the discount rate with regard to the expected future return of the financial assets. We can be of assistance in proposing models to determine such expected returns. However, option 3 (two discount rates/levels of technical provisions) represents the more practical approach, and would have significantly less detrimental impact on IORP sponsors and their workforces. Level B technical provisions could continue to be determined in a way that is broadly similar to the approach under the current IORP directive. This option would considerably reduce incentives for pro-cyclical investment behaviour, which would be a particular concern with option 2. Under Option 3 we continue to be concerned about the level and potential volatility of Level A technical provisions, and the impact this might have on IORP sponsors. Whether this creates a problem in practice will depend on the rules surrounding the use of the employer covenant as an asset in the holistic balance sheet. It will also depend on whether harmonisation of funding levels towards Level A technical provisions is (or becomes) a requirement, and the pace and flexibility of this harmonisation.	Noted
872.	Trades Union Congress (TUC)	21.	What is the stakeholders' view on the two options presented regarding the interest rate used to establish technical provisions	Noted, non-harmonised approach

			(including the positive and negative impacts)? We are concerned with the two options presented, both of which are seeking a change from the current situation. Both option A (risk-free interest rates) and option B (a mixture of risk-free and return on assets) could result in lower returns to schemes. Coupled with the likely higher technical provisions concerns set out above, both options could result in scheme sponsors querying whether they can afford to keep schemes open, lower member benefits and it may ultimately result in many scheme closures. Therefore we would like to see an option presented of no change.	not within mandate
873.	Transport for London / TfL Pension Fund	21.	The inclusion of only two options for the interest rates to be used for establishing technical provisions is too limiting and the diversity of pension arrangements would suggest a wide range being available to accommodate this diversity. As the discount rate used is critical in pension scheme funding, a restriction to using one of these two options would have an extremely negative consequence for our scheme.	Noted
874.	Universities Superannuation Scheme (USS),	21.	What is the stakeholders' view on the two options presented regarding the interest rate used to establish technical provisions (including the positive and negative impacts)? USS is very concerned that the discussion paper presents only	Noted, non-harmonised approach not within mandate Drawbacks included in explanatory text

			two options, both involving the use of risk-free interest rates. The paper should also present an option based on the status quo. It is unneccessary for an IORP to be prevented from taking into account the returns expected from its assets over a long-term basis as the pension promise is a long-term committment and investment is undertaken over the long-term. The diversity of pension schemes across the EU means that a wide range of discount rates is used. These reflect individual schemes' circumstances. It is wrong to impose a 'two sizes fit all' model. Option 2 – risk-free discount rate The use of a risk-free discount rate is inappropriate for long-term pension provision, not least if we wish to encourage pension schems to invest at least partly in risk-seeking, higher return assets such as equities. It is essential for this to happen if cost-effective defined benefit pensions are to continue to be provided. Research by the NAPF across a sample of their member pension schemes indicates that the likely switch to the use of a risk-free discount rate to value the 'best estimate of liabilities' would increase technical provisions by an average of around 27%. This equates to an increase in technical provisions across all UK DB schemes of €337 bn. Additional components, such as the 'risk buffer' and 'solvency capital requirement' would drive these figures even higher.	

			As discussed elsewhere in this document, this major increase in technical provisions would have damaging effects for members, sponsoring companies and the wider economy. Option 3 – Level A and Level B technical provisions The proposal for a two-level approach to valuing technical provisions could provide a useful methodology. However, the consultation paper gives no detail on how the 'fixed, but not risk-free, interest rate curve' to be employed for the 'Level B' calculation is to be chosen. Instead, this is to be left to level 2 implementing measures. The paper also gives no explanation of how and when the two alternative measures would be used. Again, this is unacceptable – especially given the importance of the discount rate issue in pension scheme funding. Further detail and explanation is needed on how the risk-free rate would be determined.	
875.	vbw – Vereinigung der Bayerischen Wirtschaft e. V.	21.	What is the stakeholders view on the two options presented regarding the interest rate used to establish technical provisions (including the positive and negative impacts)?	Noted, non-harmonised approach not within mandate Drawbacks added to

			5. We strongly oppose the use of a risk-free discount rate for the calculation of liabilities in IORPs. This means that the pension would have to assume a zero-risk approach regarding the rate of return on possible investments. The expected returns on investment would therefore be lower. This would lead to a substantial increase in technical provisions of the pension fund, i.e. the amount of funding needed for the pension fund to be able to pay the pension promise accrued by scheme members. This would increase costs for employers, thereby diverting money away from business investment and job creation. The result of such a regulation would lead to financial damages in rather short time. That means the risk which is intended to be avoided by this rule would be even be further encouraged. 6. EIOPA's draft response to the Call for Advice does not specify what would be the correct risk-free rate to be used, however using a risk-free rate would lead to pension schemes moving away from equity and corporate bonds into government bonds. Although traditionally understood to be risk-free, the current turbulences in the Eurozone debt markets clearly question that assumption. Also, this would lower the yield and therefore reduce the actual return on the investment made by the pension fund, thereby increasing the cost to the employer even further. For these reasons, we support retention of the existing requirement in the IORP Directive of using a prudent market rate, which allows for some risk to be included in the valuation of liabilities, including high quality corporate bonds overwhelmingly used by IORPs.	explanatory text and risk-free issue included in impact assessment
876.	Verband der Firmenpensionskassen	21.	According to Art. 86 the relevant risk free yield curve will be determined by implementing measures. The relevant risk free	Noted

	(VFPK) e.V.		yield curve has presently not been determined. Due to high volatilities the level of accrual is subject to the high and incomprehensible fluctuations within the model. This reporting date dependency is not acceptable due to considerable intensity of fluctuation on the company`s balance sheet. The same also applies to Option 2 where in addition to the "risk free" yield curve a further yield curve can be used. This again results in insecurities relating to long-dated commitments and cannot be relied upon as a method for determining capital requirements. In the holistic balance sheet, the method with two yield curves is preferable. If the IORP benefits are additionally secured by the employer's guarantee commitment, it would be practical to apply the interest rates which apply in the international valuation of pension commitments on the basis of AA-rated corporate bonds for establishing minimum capital requirements.	
877.	VHP2 (Vakorganisatie voor middelbaar en hoger pers	21.	The discount rate should reflect the nature of the liabilities. For guaranteed benefits without any ex-ante possibilities to lower the benefits, it makes sense to use a risk free discount rate, with appropriate best practice amendments such as an illiquidity premium or UFR. For benefits that are not unconditional, it makes sense to use a higher discount rate that reflects the security level. Alternatively, and especially if a holistic balance sheet approach where to be chosen by the EC, one could also choose to report the value of the unconditional liabilities based on a risk free discount rate, and separately report an option value that reflects the possibility to lower the benefits. Since the exact nature of the benefits is different in each and	Noted, non-harmonised approach not within mandate Relation risk-free in stochastic valuation and expected return in deterministic valuation for DC clarified in explanatory text

			every Member State, a harmonised discount rate would be unsuitable. Option 1 therefore is the most appropriate, where a provision could be added that the discount rate should always reflect the level of security offered in the benefits. We understand that EIOPA considers however not to include option 1 in its advice since this would not lead to increased harmonisation. We strongly feel that this is a mistake: even though it contributes the least towards the stated goal by the EC, it is the current market practice and should at least be brought under their attention. Option 3 would seem to leave the best options to deal with, if the holistic balance sheet were to be chosen. This leaves the best possibility to deal with Member State specific or scheme specific security level. We note however that basing any capital requirement on the level A technical provisions would still lead to higher than necessary capital requirements given the appropriate level of security.	
878.	Whitbread Group PLC	21.	We strongly disagree that Technical Provisions should be based on a risk free rate. Technical Provisions should continue to be assessed using a prudent estimate of expected returns on assets. This is because pension schemes have the support of the sponsoring employer's financial covenant and are well protected through regulated scheme specific funding principles. We see no reason for change.	Noted, non-harmonised approach not within mandate
879.	Zusatzversorgungskasse des Baugewerbes AG	21.	32. We disagree with both options, because we share EIOPA's analysis in 9.3.69. We would like to bring option 1 back on the table. The negative impacts for options 2 and 3 are far more important.	Noted, non-harmonised approach not within mandate
880.	Towers Watson	21.	22. What is the stakeholders' view on the two options presented regarding the interest rate used to establish technical provisions (including the positive and negative impacts)? [options offered were no. 2 and no. 3]	Noted

			In our view, option 3 (two discount rates/levels of technical provisions) represents the more practical approach, and would have significantly less-detrimental impact on IORP sponsors and their workforces. Level B technical provisions could continue to be determined in a way that is broadly similar to the approach under the current IORP directive, although as mentioned previously, some greater commonality of approach can probably be achieved even under this regime. Subject to any changes made to improve commonality, we believe that flexibility should be available for national regulators to supervise the basis for Level B technical provisions. Option 3 would considerably reduce incentives for pro-cyclical investment behaviour, which would be a particular concern with option 2. We are concerned about the potential volatility of Level A technical provisions, and the impact this might have on IORP sponsors. Whether this creates a problem in practice will depend on the rules surrounding use of employer covenant as an asset in the holistic balance sheet. It will also depend on whether harmonisation of funding levels towards Level A technical provisions is (or becomes) a requirement, and the pace and flexibility of this harmonisation. At present, the UK regulatory regime requires disclosure of approximate buy-out solvency (a possible proxy for Level A technical provisions – inclusive of the 'risk margin'), assuming that the IORP were to terminate without any further recovery from the sponsor. Such solvency levels are very volatile, but this does not have a major impact for most IORPs because it is only a disclosure obligation. Any change to make this a funding requirement, or to impose restrictions on sponsor's freedom to act where employer covenant is included as an asset in the	

			holistic balance sheet could, in our opinion, have a material and detrimental impact on sponsors' businesses. Any such change would therefore require a flexible and extended period of implementation, and include the possibility of very long recovery periods.	
881.	OPSG (EIOPA Occupational Pensions Stakeholder Group)	22.	See question 13	Noted
882.	AbA Arbeitsgemeinschaft für betriebliche Altersver	22.	Establishing provisions for future administration expenses incurred in administering accrued benefits is sensible and prudent. This also corresponds to current practice in Germany. However, if the employer carries the administration cost this must be taken into account in a lowering way.	Noted
883.	ABVAKABO FNV	22.	Yes, service expenses to service existing benefits should be added to the best estimate value of the liabilities. The SCR however should always be based on the best estimate of the liabilities without these service expenses, since the additional service expenses are independent from investment risk and therefore need not be protected from financial shocks.	Noted
884.	AEIP	22.	AEIP agrees to this proposal.	Noted
885.	AFPEN (France)	22.	AFPEN agrees that the service costs due to accrued benefits should be included in the calculation of technical provisions.	Noted
888.	AMONIS OFP	22.	Do stakeholders agree that expenses incurred by the IORP in servicing accrued pension right should be taken into account in technical provisions as introduced by Article 78 of Solvency II? Yes, AMONIS OFP agrees to this proposal, an estimation of the expenses linked to accrued benefits should be taken into account in the value of the liabilities.	Noted
889.	ANIA – Association of	22.	Yes, the ANIA agrees that expenses incurred by the IORP in	Noted

	Italian Insurers		servicing accrued pension rights should be taken into account in technical provisions as introduced by article 78 of solvency II. This will lead to adequate technical provisions. However, again clarification – as in question 19 - is needed on the cases in which the costs, relating to future accruals should not be considered.	
890.	Association of British Insurers	22.	The ABI would agree that expenses incurred by the IORP should be taken into account in the technical provisions as introduced by Article 78 of the Solvency II Directive.	Noted
891.	Association of Consulting Actuaries (UK)	22.	We believe that the word "expenses" here refers to the costs, in addition to the payments to IORP members, which are incurred in operating the IORP. For an Article 17(1) IORP, the assets of the IORP clearly need to cover expenses as well as pension payments, and so projected expenses should be included in technical provisions. For a sponsor-backed IORP, where sponsor contributions can be increased to cover rises in expenses, we see less need to include future expenses within technical provisions. It is worth noting that the International Accounting Standards Board has recently finalised its update to the international pension accounting standard for companies, IAS19. After extensive discussions, the Board's final version of IAS19 does not require companies to include expenses in the Defined Benefit Obligation (the value of the company's accrued pension obligation), but instead includes them either, in the case of investment expenses, within a net investment return figure, or in the case of other expenses, recognizes them in profit as they are incurred.	Noted
892.	Association of French Insurers (FFSA)	22.	39. The FFSA agrees that expenses incurred by the IORP in servicing accrued pension rights should be taken into account in technical provisions as introduced by article 78 of solvency II. This will lead to adequate technical provisions. However,	Noted

			clarification is needed on the scope of contracts in which the costs related to future accruals should not be considered. In all cases the same principle should apply for retirement schemes provided by the insurers.	
893.	Association of Pensioneer Trustees in Ireland	22.	See response to question 12.	Noted
894.	Assoprevidenza – Italian Association for supplemen	22.	We agree to this proposal	Noted
895.	Assuralia	22.	Cfr. Q. 12 The extremely short delay for responding to the technical consultation document has forced the members of Assuralia to prioritize and to focus on a number of questions. Our lack of response to this question must not be regarded as a lack of interest or opinion.	Noted
896.	Belgian Association of Pension Institutions (BVPI-	22.	Do stakeholders agree that expenses incurred by the IORP in servicing accrued pension right should be taken into account in technical provisions as introduced by Article 78 of Solvency II? Yes, BVPI-ABIP agrees to this proposal, an estimation of the expenses linked to accrued benefits should be taken into account in the value of the liabilities.	Noted
897.	BNP Paribas Cardif	22.	BNP Paribas Cardif agrees that expenses incurred by the IORP in servicing accrued pension rights should be taken into account in technical provisions as introduced by article 78 of solvency II. This will lead to adequate technical provisions. However, clarification is needed on the scope of contracts in which the	Noted

			costs related to future accruals should not be considered. In all cases the same principle should apply for retirement schemes provided by the insurers	
898.	Bosch Pensionsfonds AG	22.	See under "General comment": "Sui generis" supervisory system for IORPs.	Noted
899.	Bosch-Group	22.	See under "General comment": "Sui generis" supervisory system for IORPs.	Noted
900.	BT Group plc	22.	Do stakeholders agree that expenses incurred by the IORP in servicing accrued pension right should be taken into account in technical provisions as introduced by Article 78 of Solvency II? No. A different treatment between IORPS and insurers is justified where an IORP has sponsor support that is available to meet ongoing costs as they arise.	Noted
901.	BT Pension Scheme Management Ltd	22.	We do not agree that the expenses in servicing accrued pension rights always need to be taken into account: in particular, where a sponsor pays these servicing expenses on an ongoing basis, there is no cost burden on the IORP itself and so no need to take account of these costs.	Noted
902.	CEA	22.	Yes, the CEA agrees that expenses incurred by the IORP in servicing accrued pension rights should be taken into account in technical provisions as introduced by article 78 of solvency II. This will lead to adequate technical provisions. However, again clarification – as in question 19 - is needed on the cases in which the costs, relating to future accruals should not be considered.	Noted
903.	Charles CRONIN	22.	Yes, I agree that expenses incurred by the IORP in servicing the accrued pension right should be taken into account in technical	Noted

			provisions as introduced by Article 78 of Solvency II.	
904.	Chris Barnard	22.	Yes, I agree that the expenses incurred by the IORP in servicing accrued pension right should be taken into account in technical provisions as introduced by Article 78 of Solvency II. This is prudent and consistent with basic valuation principles.	Noted
905.	CMHF (Centrale van Middelbare en Hogere Functionar	22.	Yes, service expenses to service existing benefits should be added to the best estimate value of the liabilities. The SCR however should always be based on the best estimate of the liabilities without these service expenses, since the additional service expenses are independent from investment risk and therefore need not be protected from financial shocks.	Noted
906.	De Unie (Vakorganisatie voor werk, inkomen en loop	22.	Yes, service expenses to service existing benefits should be added to the best estimate value of the liabilities. The SCR however should always be based on the best estimate of the liabilities without these service expenses, since the additional service expenses are independent from investment risk and therefore need not be protected from financial shocks.	Noted
907.	Derek Scott of D&L Scott	22.	Yes. They already are through the current technical provisions funding.	Noted
908.	Direction Générale du Trésor, Ministère des financ	22.	Yes we agree.	Noted
909.	Ecie vie	22.	Yes	Noted
910.	European Association of Public Sector Pension Inst	22.	Do stakeholders agree that expenses incurred by the IORP in servicing accrued pension right should be taken into account in technical provisions as introduced by Article 78 of Solvency II? EAPSPI agrees that the service costs due to accrued benefits	Noted

			should be included in the calculation of technical provisions.	
911.	European Federation for Retirement Provision (EFRP	22.	Yes, service costs to accrued benefits should be taken into account in the value of the liabilities.	Noted
912.	European Metalworkers Federation	22.	As said in our general comments, the solvency II regulation is not the appropriate starting point to regulate the specifics of an IORP	Noted
913.	European Mine, Chemical and Energy workers' Fede	22.	As said in our general comments, the solvency II regulation is not the appropriate starting point to regulate the specifics of an IORP	Noted
914.	Federation of the Dutch Pension Funds	22.	Yes, service expenses to service existing benefits should be added to the best estimate value of the liabilities. The SCR however should always be based on the best estimate of the liabilities without these service expenses, since the additional service expenses are independent from investment risk and therefore need not be protected from financial shocks.	Noted
915.	Financial Reporting Council	22.	The proposal appears reasonable although it should be noted that the proposal could lead to an increase in upfront costs for sponsors. It needs to be recognised that the amount of future expenses will not be known and an estimate will need to be made. Level 2 should therefore allow flexibility in determining the amount of expenses to be taken into account in the technical provisions.	Noted
916.	FNMF – Fédération Nationale de la Mutualité França	22.	FNMF does not agree on valuation principles based on market value.	Noted
917.	FNV Bondgenoten	22.	Yes, service expenses to service existing benefits should be added to the best estimate value of the liabilities. The SCR	Noted

			however should always be based on the best estimate of the liabilities without these service expenses, since the additional service expenses are independent from investment risk and therefore need not be protected from financial shocks.	
918.	Generali vie	22.	Yes	Noted
919.	German Institute of Pension Actuaries (IVS\32\45\3	22.	If the IORP bears the administration costs for servicing the accrued pension rights, then these should also be allowed for in the technical provisions. However, this should not apply if the employer bears the administration costs.	Noted
920.	Groupe Consultatif Actuariel Européen.	22.	Yes, if expenses are met from the IORPs resources. Where expenses are met directly by IORP sponsors then they should be treated in a manner consistent with the inclusion (or not) of sponsor covenant on the balance sheet.	Noted
921.	Groupement Français des Bancassureurs	22.	FBIA agrees that expenses incurred by the IORP in servicing accrued pension rights should be taken into account in technical provisions as introduced by article 78 of solvency II. This will lead to adequate technical provisions. However, clarification is needed on the scope of contracts in which the costs related to future accruals should not be considered. In all cases the same principle should apply for retirement schemes provided by the insurers	Noted
922.	PMT-PME-Mn Services	22.	Yes, service expenses to service existing benefits should be added to the best estimate value of the liabilities. The SCR however should always be based on the best estimate of the liabilities without these service expenses, since the additional service expenses are independent from investment risk and therefore need not be protected from financial shocks.	Noted

923.	HM Treasury/Department for Work and Pensions	22.	Expenses incurred by the IORP should be taken into account.	Noted
924.	Institute and Faculty of Actuaries (UK)	22.	If any change is to be imposed on UK IORPs then where expenses are met by IORP sponsors (either explicitly or implicitly via funding plans), they should be treated in a manner consistent with the way in which sponsor support is recognised: i.e. only if sponsor support is included on the asset side of the balance sheet should future expenses be included on the liability side.	Noted
925.	KPMG LLP (UK)	22.	Where there is ongoing sponsor support for an IORP, sponsors should be able to continue to pay expenses on an ongoing basis.	Noted
926.	Le cercle des épargnants	22.	Yes	Noted
928.	Mercer	22.	Yes, although there are different ways of achieving this, which are recognised by various different accounting standards. For example, it could be considered as a deduction to the return on assets, or as an explicit cost of providing the benefit. The approach adopted by different IORPs partly reflects the way they are established, so it would be proportionate to permit different approaches, provided the approach adopted by the IORP is made clear to its supervisory authority.	Noted
929.	MHP (Vakcentrale voor Middengroepen en Hoger Perso	22.	Yes, service expenses to service existing benefits should be added to the best estimate value of the liabilities. The SCR however should always be based on the best estimate of the liabilities without these service expenses, since the additional service expenses are independent from investment risk and therefore need not be protected from financial shocks.	Noted
931.	National Association of Pension Funds (NAPF)	22.	Do stakeholders agree that expenses incurred by the IORP in servicing accrued pension right should be taken into account in	Noted

			technical provisions as introduced by Article 78 of Solvency II? Yes – the NAPF agrees with this proposal.	
933.	Pensioenfonds Zorg en Welzijn (PFZW)	22.	Yes, service expenses to service existing benefits should be added to the best estimate value of the liabilities. The SCR however should always be based on the best estimate of the liabilities without these service expenses, since the additional service expenses are independent from investment risk and therefore need not be protected from financial shocks.	Noted
934.	Predica	22.	Predica agrees that expenses incurred by the IORP in servicing accrued pension rights should be taken into account in technical provisions as introduced by article 78 of solvency II. This will lead to adequate technical provisions. However, clarification is needed on the scope of contracts in which the costs related to future accruals should not be considered. In all cases the same principle should apply for retirement schemes provided by the insurers	Noted
935.	prof.dr. A.A.J. Pelsser HonFIA, Netspar & Maastric	22.	Yes, expenses should be included	Noted
936.	PTK (Sweden)	22.	Yes, service costs to accrued benefits should be taken into account in the value of the liabilities.	Noted
937.	Railways Pension Trustee	22.	Yes. Such expenses are already are allowed for within our	Noted

	Company Limited ("RPTCL		current technical provisions.	
938.	TCO	22.	Yes, service costs to accrued benefits should be taken into account in the value of the liabilities.	Noted
939.	The Association of Pension Foundations (Finland)	22.	Article 78 is not appropriate for pension funds. According to national law, Pension funds do not calculate future inflation in pension liabilities. Such claim would raise pension liabilities considerably and might be in conflict with guaranteed accruals.	Noted
940.	The Association of the Luxembourg Fund Industry (A	22.	Yes, service costs to accrued benefits should be taken into account in the value of the liabilities.	Noted
941.	The Hundred Group of Finance Directors (UK)	22.	We do not think it is appropriate to require the inclusion of the capitalised value of all future expenses in respect of accrued pension in the valuation of technical provisions.	Noted
942.	The Society of Actuaries in Ireland	22.	Yes. It should be noted that this will represent a change from current Irish practice. The allowance for ongoing administration expenses incurred by the IORP is usually taken into account in the future contribution rate, rather than being shown explicitly as an accrued liability of the scheme.	Noted
943.	Towers Watson Deutschland GmbH	22.	If a two-tier system of technical provisions is introduced, as discussed in question 21, then it would be consistent to include expected expenses to be incurred during active service for accrued pension rights in Level A technical provisions. However, we do not believe it is necessary to prescribe a particular treatment of expenses in determining Level B technical provisions. If the employer bears the administration costs, these	Noted

			should not be taken into account in the technical provisions at all.	
944.	UK Association of Pension Lawyers	22.	CfA 5 (Valuation of assets, liabilities and technical provisions): Do stakeholders agree that expenses incurred by the IORP in servicing accrued pension right should be taken into account in technical provisions as introduced by Article 78 of Solvency II? We do not support the core premise of adapting Solvency II for the generality of IORPs or re-legislating for IORPs by reference to the single market or a level playing field with insurance companies without reference to whether the IORPs actually or potentially "act in a manner similar to insurance companies" or are genuinely and meaningfully competing or operating in the same market as insurance companies. See the general comments we make in relation to question 38 below. We have nonetheless provided a comment in response to the specific question raised here, in the interests of providing EIOPA with a UK technical legal perspective on this matter, but (to emphasise a point made in raised in part (2) of our general comments at the beginning of this document) our having commented on this question should not be interpreted as our having given explicit or implicit support to the proposition of applying Solvency II to the generality of IORPs. Furthermore, this comment can only be viewed as an initial thought in the absence of further consultation on the potential economic effects of Solvency II (see the concerns raised in part (3) of our general comments at the beginning of this document), and indeed in the absence of an opportunity to carry out a more detailed technical analysis of the proposals under consideration and of the likely practical consequences of implementing them (see the comments made in the last paragraph of part (1) of our general comments at the beginning of this document).	Noted

			With those important qualifications in mind, our comment in response to this specific question is that some IORPs provide for expenses to be paid by the sponsor direct and there would therefore be double counting of expenses, if they were also automatically taken into account in the technical provisions. This point is acknowledged at paragraph 9.3 104. It would therefore be more appropriate to provide that the expenses shall be included in the technical provisions unless there is a sponsor covenant to pay.	
945.	UNI Europa	22.	As said in our general comments, the solvency II regulation is not the appropriate starting point to regulate the specifics of an IORP.	Noted
946.	Universities Superannuation Scheme (USS),	22.	Do stakeholders agree that expenses incurred by the IORP in servicing accrued pension right should be taken into account in technical provisions as introduced by Article 78 of Solvency II?	
947.	VHP2 (Vakorganisatie voor middelbaar en hoger pers	22.	Yes, service expenses to service existing benefits should be added to the best estimate value of the liabilities. The SCR however should always be based on the best estimate of the liabilities without these service expenses, since the additional service expenses are independent from investment risk and therefore need not be protected from financial shocks.	Noted
948.	Whitbread Group PLC	22.	We do not agree that there should be a requirement to capitalise expenses within technical provisions. This is because pension schemes have the support of the sponsoring employer's financial covenant and are well protected through regulated scheme specific funding principles	Noted
949.	Zusatzversorgungskasse	22.	We agree.	Noted

	des Baugewerbes AG			
950.	Towers Watson	22.	23. Do stakeholders agree that expenses incurred by the IORP in servicing accrued pension right should be taken into account in technical provisions as introduced by Article 78 of Solvency II? If a two-tier system of technical provisions is introduced, as discussed in question 21, then it would be consistent to include expected expenses to be incurred in service accrued pension rights in Level A technical provisions. However, we do not believe it is necessary to prescribe a particular treatment of expenses in determining Level B technical provisions.	Noted
951.	OPSG (EIOPA Occupational Pensions Stakeholder Group)	23.	See question 13	Noted
952.	AbA Arbeitsgemeinschaft für betriebliche Altersver	23.	We believe that only unconditional benefits should be included in the technical provisions. It is important for IORPs that the excess returns achieved over and above those required to fund the unconditional benefits should be available as a capital buffer to smooth out fluctuations in experience and to react to adverse market conditions.	Noted
953.	ABVAKABO FNV	23.	Discretionary benefits should not be taken into account in the value of the liabilities, given the nature and uncertainty of these benefits. We would advocate disclosing to members that such possibility for discretionary benefits exists, but without attaching any value to it in order not to raise false expectations. Also, in order not to raise false expectations, we are not in favour of the concept of surplus funds, as the very mentioning of assets in a surplus fund that could be used for discretionary benefits could possibly be interpreted as an indication that the discretionary benefits will be given.	Noted. Drawbacks options 2/3 included in impact assessment Need for more clarity during QIS included

			Related to the issue of discretionary and conditional benefits, we note that it is currently very much unclear how the specific Dutch situation of indexation granting is to be considered. This may turn out to become a legal issue where the nature of the benefits will depend on the exact formulation in the pension scheme. This may lead to the undesirable situation that for the one IORP the indexation granting is considered discretionary and for the next IORP it will be considered conditional, even though the intention of the indexation granting is the same. Also, this might be equally true for recourse on recovery contributions from a sponsor, given the exact formulation in the agreement with the sponsor. We urge to provide clarity on this point before we could provide our definite standpoint on this. Pending the exact outcome of these issues, we would rather prefer Option 1 on page 152 not to include discretionary benefits in the technical provisions. We do not agree however to the statement EIOPA makes that specification of what constitutes discretionary benefits should be taken at Level 2. Especially for Dutch pension schemes, it is of vital importance that we know whether the indexation mechanism is to be considered a discretionary or conditional benefit and what the consequences of either would be. For example, we strongly remark that it would be a mistake if solvency buffers would be calculated including any indexation option value, as this would continuously increase the buffers as the solvability rises. We advocate more clarity on this point before actually deciding on the Level 1 rules, possible during a preliminary QIS. We are in favour of explicitly separating unconditional and conditional benefits. The conditional benefits should be unambiguously tied to a rule stating when and based upon which rule the benefit would be paid out or made unconditional. If a holistic balance sheet approach where to be chosen by the EC,	

			the conditional benefits can be reported using the option value of the benefit. Without an holistic balance sheet approach, we think it is more straightforward to reflect the conditionality of the benefit by using a higher than risk free discount rate.	
954.	AEIP	23.	68. We agree that pure discretional benefits should not be included in the technical provisions (9.3.123). AEIP is not in favour of the concept of surplus funds in order not to raise false expectations as the very mentioning of assets in a surplus fund that could be used for discretionary benefits could possibly be interpreted as an indication that the discretionary benefits will be given.	Noted, drawback surplus funds included
955.	AFPEN (France)	23.	99. First of all AFPEN suggests making a very clear distinction between unconditional and conditional benefits. Furthermore AFPEN suggests not including unconditional and discretionary benefits in the calculation of technical provisions because of the uncertainty of the concrete amounts of these payments and the fact that they are not guaranteed. AFPEN supports the idea of informing the insurants about the general possibility of future benefit increases. But this should not be reflected in the calculation of technical provisions or in separate surplus fund for discretionary benefits. Only guaranteed benefits which are sufficiently expectable in height should be accounted for. The possibility to indirectly reduce discount rates by including uncertain future benefits and there-fore delivering a security buffer is in contrast to the neutral information perspective of the best estimate. Uncertain expected future payments can better serve as management tool to buffer adverse developments.	Noted
957.	AMICE	23.	Surplus funds should not be included in the technical provisions; the article on surplus funds in Solvency II should apply.	Noted
958.	AMONIS OFP	23.	Do the stakeholders agree with the analysis regarding the	Noted

			inclusion of unconditional, conditional and discretionary benefits in technical provisions as introduced by Article 78 of Solvency II? Do stakeholders find that discretionary benefits should be included in the best estimate of technical provisions? Is the Solvency II article on surplus funds useful for IORPs in this respect? AMONIS OFP considers that discretionary benefits should not be included in the best estimate of technical provisions.	
959.	ANIA – Association of Italian Insurers	23.	The ANIA favours option 3. The provisions corresponding to Articles 78 and 91 of Solvency II should apply.	Noted
960.	Association of British Insurers	23.	The ABI would suggest that all benefits should be included in the technical provisions of the HBS, including conditional and discretionary ones. However, there should be a reflection in the holistic balance sheet assessment that discretionary benefits may not always be paid.	Noted
961.	Association of Consulting Actuaries (UK)	23.	This question further exposes the major differences between IORPs and insurers. An IORP can be set up with benefits that are fully unconditional, or conditional (possibly conditional on internal factors such as actual IORP investment returns, or on external factors such as the performance of an investment index), or discretionary (with varying possible degrees of discretion e.g. with the sponsor and/or trustees having unfettered discretion, or with a well-established practice that discretion is almost invariably exercised, or perhaps with a customary exercise of discretion where there are surplus funds available) It is noteworthy that some of the types of discretionary benefits that are offered by IORPs would not be offered by insurers (e.g.	Noted. Drawback of always including discretionary benefits added to impact assessment

			salary linkage), and that the parallel between the two types of institution is stretched to a point where it is difficult to apply the same rules to both types. We think that this is an area where there are significant differences in practice between different IORPs and between different Member States. We think that there is value in using the IAS19 term "constructive obligation". Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees. A suitable structure might run as follows: IORPs are required to include unconditional benefits in their technical provisions, including any benefits that arise out of a constructive obligation They would be required to disclose the existence of any other discretionary benefits in the report on technical provisions, with the value of these additional benefits that would be paid if the discretionary practices continued. The supervisory bodies in each Member State would have freedom to introduce specific rules on top of this to reflect local circumstances, for example to deal with specific exercises of discretion that are unique to that country. It would be counter to social objectives to require IORPs to include all discretionary practices in technical provisions. One of the reasons for adoption of discretionary practices is that it gives the employer the option not to exercise discretion, for example in years with poor profitability. As things stand, employers sometimes exercise discretion: if the company is required to	

			make a significant addition to its technical provisions, one can be sure that the discretionary practice will stop.	
962.	Association of French Insurers (FFSA)	23.	40. The FFSA favours option 3. According to the FFSA, the technical provisions should present an overall view of all benefits to be expected. 41. The FFSA agrees that discretionary benefits should be included in the best estimate of technical provisions. The FFSA is not in favour of including the option of the Member State to treat discretionary benefits as surplus fund in a consistent approach with Solvency II regime. In all cases the same principle should apply for retirement schemes provided by the insurers.	Noted
963.	Association of Pensioneer Trustees in Ireland	23.	See response to question 12.	Noted
964.	Assoprevidenza – Italian Association for supplemen	23.	We agree with option 1	Noted
965.	Assuralia	23.	Cfr. Q. 12 The extremely short delay for responding to the technical consultation document has forced the members of Assuralia to prioritize and to focus on a number of questions. Our lack of response to this question must not be regarded as a lack of interest or opinion.	
966.	Belgian Association of Pension Institutions (BVPI-	23.	Do the stakeholders agree with the analysis regarding the inclusion of unconditional, conditional and discretionary benefits in technical provisions as introduced by Article 78 of Solvency II?	Noted

			Do stakeholders find that discretionary benefits should be included in the best estimate of technical provisions? Is the Solvency II article on surplus funds useful for IORPs in this respect? BVPI-ABIP considers that discretionary benefits should not be included in the best estimate of technical provisions.	
967.	BNP Paribas Cardif	23.	BNP Paribas Cardif favours option 3. According to BNP Paribas Cardif, the technical provisions should present an overall view of all benefits to be expected. BNP Paribas Cardif agrees that discretionary benefits should be included in the best estimate of technical provisions. BNP Paribas Cardif is not in favour of including the option of the Member State to treat discretionary benefits as surplus fund in a consistent approach with Solvency II regime. In all cases the same principle should apply for retirement schemes provided by the insurers.	Noted
968.	Bosch Pensionsfonds AG	23.	See under "General comment": "Sui generis" supervisory system for IORPs.	Noted
969.	Bosch-Group	23.	See under "General comment": "Sui generis" supervisory system for IORPs.	Noted
970.	BT Group plc	23.	Do the stakeholders agree with the analysis regarding the inclusion of unconditional, conditional and discretionary benefits in technical provisions as introduced by Article 78 of Solvency II? Do stakeholders find that discretionary benefits should be included in the best estimate of technical provisions? Is the Solvency II article on surplus funds useful for IORPs in this respect?	Noted

			It is highly illogical to include non-guaranteed benefits, if there is a discretion as to whether to award these benefits. Discretionary benefits should only be included once they have been granted.	
971.	BT Pension Scheme Management Ltd	23.	We are firmly of the view that discretionary benefits should not be included in provisions. Given the discretionary nature of these elements, they cannot be seen as liabilities until a decision is taken that they should be paid. Even if a there has been an historic policy with regard to an individual discretionary decision, such policies can be changed and so the uncertainty and discretion remain. While they remain a matter of discretion, they cannot be a liability and so should not be included in the technical provisions. For similar reasons, we do not believe that it is appropriate to include conditional benefits.	Noted
972.	CEA	23.	The CEA favours option 3. The provisions corresponding to Articles 78 and 91 of Solvency II should apply.	Noted
973.	Charles CRONIN	23.	As concerns the prudential measurement of unconditional, conditional and discretionary benefits in the HBS, I support EIOPA's option 3; including discretionary benefits in technical provisions with the exception of surplus funds. I would suggest one final refinement with regards conditional benefits. The probability weighted expectation of payment of conditional benefits could be placed in the best estimate of liabilities, in the HBS.	Noted
974.	Chris Barnard	23.	I agree with the analysis regarding the inclusion of unconditional, conditional and discretionary benefits in technical provisions as introduced by Article 78 of Solvency II. I would support that discretionary benefits should be included in	Noted

			the best estimate of technical provisions. This would be more consistent with Solvency II, and also with the proposed holistic balance sheet framework. The exact definition of discretionary benefits could depend on SLL and case law. Additional guidance and interpretation could be provided at Level 2.	
975.	CMHF (Centrale van Middelbare en Hogere Functionar	23.	Discretionary benefits should not be taken into account in the value of the liabilities, given the nature and uncertainty of these benefits. We would advocate disclosing to members that such possibility for discretionary benefits exists, but without attaching any value to it in order not to raise false expectations. Also, in order not to raise false expectations, we are not in favour of the concept of surplus funds, as the very mentioning of assets in a surplus fund that could be used for discretionary benefits could possibly be interpreted as an indication that the discretionary benefits will be given. Related to the issue of discretionary and conditional benefits, we note that it is currently very much unclear how the specific Dutch situation of indexation granting is to be considered. This may turn out to become a legal issue where the nature of the benefits will depend on the exact formulation in the pension scheme. This may lead to the undesirable situation that for the one IORP the indexation granting is considered discretionary and for the next IORP it will be considered conditional, even though the intention of the indexation granting is the same. Also, this might be equally true for recourse on recovery contributions from a sponsor, given the exact formulation in the agreement with the sponsor. We urge to provide clarity on this point before we could provide our definite standpoint on this. Pending the exact outcome of these issues, we would rather prefer Option 1 on page 152 not to include discretionary benefits	Noted. Drawbacks options 2/3 included in impact assessment Need for more clarity during QIS included

			in the technical provisions. We do not agree however to the statement EIOPA makes that specification of what constitutes discretionary benefits should be taken at Level 2. Especially for Dutch pension schemes, it is of vital importance that we know whether the indexation mechanism is to be considered a discretionary or conditional benefit and what the consequences of either would be. For example, we strongly remark that it would be a mistake if solvency buffers would be calculated including any indexation option value, as this would continuously increase the buffers as the solvability rises. We advocate more clarity on this point before actually deciding on the Level 1 rules, possible during a preliminary QIS. We are in favour of explicitly separating unconditional and conditional benefits. The conditional benefits should be unambiguously tied to a rule stating when and based upon which rule the benefit would be paid out or made unconditional. If a holistic balance sheet approach were to be chosen by the EC, the conditional benefits can be reported using the option value of the benefit. Without a holistic balance sheet approach, we think it is more straightforward to reflect the conditionality of the benefit by using a higher than risk free discount rate.	
976.	De Unie (Vakorganisatie voor werk, inkomen en loop	23.	Discretionary benefits should not be taken into account in the value of the liabilities, given the nature and uncertainty of these benefits. We would advocate disclosing to members that such possibility for discretionary benefits exists, but without attaching any value to it in order not to raise false expectations. Also, in order not to raise false expectations, we are not in favour of the concept of surplus funds, as the very mentioning of assets in a surplus fund that could be used for discretionary benefits could possibly be interpreted as an indication that the discretionary benefits will be given.	Noted. Drawbacks options 2/3 included in impact assessment Need for more clarity during QIS included

			Related to the issue of discretionary and conditional benefits, we note that it is currently very much unclear how the specific Dutch situation of indexation granting is to be considered. This may turn out to become a legal issue where the nature of the benefits will depend on the exact formulation in the pension scheme. This may lead to the undesirable situation that for the one IORP the indexation granting is considered discretionary and for the next IORP it will be considered conditional, even though the intention of the indexation granting is the same. Also, this might be equally true for recourse on recovery contributions from a sponsor, given the exact formulation in the agreement with the sponsor. We urge to provide clarity on this point before we could provide our definite standpoint on this. Pending the exact outcome of these issues, we would rather prefer Option 1 on page 152 not to include discretionary benefits in the technical provisions. We do not agree however to the statement EIOPA makes that specification of what constitutes discretionary benefits should be taken at Level 2. Especially for Dutch pension schemes, it is of vital importance that we know whether the indexation mechanism is to be considered a discretionary or conditional benefit and what the consequences of either would be. For example, we strongly remark that it would be a mistake if solvency buffers would be calculated including any indexation option value, as this would continuously increase the buffers as the solvability rises. We advocate more clarity on this point before actually deciding on the Level 1 rules, possible during a preliminary QIS. We are in favour of explicitly separating unconditional and conditional benefits. The conditional benefits should be unambiguously tied to a rule stating when and based upon which rule the benefit would be paid out or made unconditional. If a holistic balance sheet approach were to be chosen by the EC, the	

			conditional benefits can be reported using the option value of the benefit. Without a holistic balance sheet approach, we think it is more straightforward to reflect the conditionality of the benefit by using a higher than risk free discount rate.	
977.	Direction Générale du Trésor, Ministère des financ	23.	In our opinion, all foreseeable expenses/benefits (even if they occur only in a limited number of future scenarios) should be taken into account in the best estimate of technical provisions. Therefore, we think that all kinds of benefits should be included, irrespective of their unconditional, conditional or discretionary nature.	Noted
978.	Ecie vie	23.	We prefer option 3 : include discretionary benefits in technical provisions with the exception of surplus funds. The same principle should apply for insurance contracts.	Noted
979.	European Association of Public Sector Pension Inst	23.	Do the stakeholders agree with the analysis regarding the inclusion of unconditional, conditional and discretionary benefits in technical provisions as introduced by Article 78 of Solvency II? Do stakeholders find that discretionary benefits should be included in the best estimate of technical provisions? Is the Solvency II Article on surplus funds useful for IORPs in this respect? First of all EAPSPI suggests making a very clear distinction between unconditional and conditional benefits. Furthermore EAPSPI suggests not including conditional and discretionary benefits in the calculation of technical provisions because of the uncertainty of the concrete amounts of these payments and the fact that they are not guaranteed. EAPSPI supports the idea of informing the insured persons about the general possibility of future benefit increases. But this should not be reflected in the calculation of technical provisions or a separate surplus fund for	Noted

			discretionary benefits. Only guaranteed benefits which are sufficiently certain in value should be accounted for. The possibility to indirectly reduce discount rates by including uncertain future benefits and therefore delivering a security buffer is in contrast to the neutral information perspective of the best estimate. Uncertain expected future payments can better serve as a management tool to buffer adverse developments.	
980.	European Federation for Retirement Provision (EFRP	23.	The EFRP rejects both options and believes that only unconditional benefits should be included in the technical provisions. Conditional and discretionary benefits should not be taken into account in the value of the liabilities, given the nature and uncertainty of these benefits. These kinds of benefits are often paid out of extra returns. As long as future extra returns are not taken into account, discretionary benefits should not be in the technical provisions either. EFRP advocates disclosing to members that such possibility for conditional and discretionary benefits exists, but without attaching any value to it in order not to raise unfounded expectations. For the same reason, in order not to raise unfounded expectations, we are not in favour of the concept of surplus funds, as the very mentioning of assets in a surplus fund that could be used for discretionary benefits could possibly be interpreted as an indication that the discretionary benefits will be given.	Noted. Drawback surplus funds included in impact assessment
981.	European Metalworkers Federation	23.	See response question 22	Noted
982.	European Mine, Chemical and Energy workers' Fede	23.	See previous	Noted

983.	Federation of the Dutch Pension Funds	23.	Discretionary benefits should not be taken into account in the value of the liabilities, given the nature and uncertainty of these benefits. We would advocate disclosing to members that such possibility for discretionary benefits exists, but without attaching any value to it in order not to raise false expectations. Also, in order not to raise false expectations, we are not in favour of the concept of surplus funds, as the very mentioning of assets in a surplus fund that could be used for discretionary benefits could possibly be interpreted as an indication that the discretionary benefits will be given. Related to the issue of discretionary and conditional benefits, we note that it is currently very much unclear how the specific Dutch situation of indexation granting is to be considered. This may turn out to become a legal issue where the nature of the benefits will depend on the exact formulation in the pension scheme. This may lead to the undesirable situation that for the one IORP the indexation granting is considered discretionary and for the next IORP it will be considered conditional, even though the intention of the indexation granting is the same. Also, this might be equally true for recourse on recovery contributions from a sponsor, given the exact formulation in the agreement with the sponsor. We urge to provide clarity on this point before we could provide our definite standpoint on this. Pending the exact outcome of these issues, we would rather prefer Option 1 on page 152 not to include discretionary benefits in the technical provisions. We do not agree however to the statement EIOPA makes that specification of what constitutes discretionary benefits should be taken at Level 2. Especially for Dutch pension schemes, it is of vital importance that we know whether the indexation mechanism is to be considered a discretionary or conditional benefit and what the consequences of either would be. For example, we strongly remark that it	Noted. Drawbacks options 2/3 included in impact assessment Need for more clarity during QIS included

			would be a mistake if solvency buffers would be calculated including any indexation option value, as this would continuously increase the buffers as the solvability rises. We advocate more clarity on this point before actually deciding on the Level 1 rules, possible during a preliminary QIS. We are in favour of explicitly separating unconditional and conditional benefits. The conditional benefits should be unambiguously tied to a rule stating when and based upon which rule the benefit would be paid out or made unconditional. If a holistic balance sheet approach were to be chosen by the EC, the conditional benefits can be reported using the option value of the benefit. Without a holistic balance sheet approach, we think it is more straightforward to reflect the conditionality of the benefit by using a higher than risk free discount rate.	
984.	Financial Reporting Council	23.	We agree with the analysis. We do not agree that discretionary benefits should be included in technical provisions. We consider that option 1 (not to include discretionary benefits in technical provisions) is appropriate to IORPs. This reflects the difference between the relationship between the sponsor, the IORP and its members and the relationship between an insurer and its policyholders. Where insurance contracts give the right for policyholders to participate in profits then the obligation for insurers to treat such policyholders fairly will mean there is no effective discretion over granting additional benefits. We consider that in practical terms, insurance benefits are either unconditional or conditional. We consider that the contractual relationship between the employer and employee concerning retirement benefits does not necessarily give rise to the same concept of fair treatment in respect of benefits arising from favourable experience. We do not consider the Solvency II article on surplus funds	Noted

			useful for IORPs. Surplus funds in IORPs are not liabilities under IAS 19 and so should fall into own funds automatically in any event.	
985.	FNMF – Fédération Nationale de la Mutualité França	23.	FNMF does not agree on valuation principles based on market value.	Noted
986.	FNV Bondgenoten	23.	Discretionary benefits should not be taken into account in the value of the liabilities, given the nature and uncertainty of these benefits. We would advocate disclosing to members that such possibility for discretionary benefits exists, but without attaching any value to it in order not to raise false expectations. Also, in order not to raise false expectations, we are not in favour of the concept of surplus funds, as the very mentioning of assets in a surplus fund that could be used for discretionary benefits could possibly be interpreted as an indication that the discretionary benefits will be given. Related to the issue of discretionary and conditional benefits, we note that it is currently very much unclear how the specific Dutch situation of indexation granting is to be considered. This may turn out to become a legal issue where the nature of the benefits will depend on the exact formulation in the pension scheme. This may lead to the undesirable situation that for the one IORP the indexation granting is considered discretionary and for the next IORP it will be considered conditional, even though the intention of the indexation granting is the same. Also, this might be equally true for recourse on recovery contributions from a sponsor, given the exact formulation in the agreement with the sponsor. We urge to provide clarity on this point before we could provide our definite standpoint on this. Pending the exact outcome of these issues, we would rather prefer Option 1 on page 152 not to include discretionary benefits	Noted. Drawbacks options 2/3 included in impact assessment Need for more clarity during QIS included

			in the technical provisions. We do not agree however to the statement EIOPA makes that specification of what constitutes discretionary benefits should be taken at Level 2. Especially for Dutch pension schemes, it is of vital importance that we know whether the indexation mechanism is to be considered a discretionary or conditional benefit and what the consequences of either would be. For example, we strongly remark that it would be a mistake if solvency buffers would be calculated including any indexation option value, as this would continuously increase the buffers as the solvability rises. We advocate more clarity on this point before actually deciding on the Level 1 rules, possible during a preliminary QIS. We are in favour of explicitly separating unconditional and conditional benefits. The conditional benefits should be unambiguously tied to a rule stating when and based upon which rule the benefit would be paid out or made unconditional. If a holistic balance sheet approach where to be chosen by the EC, the conditional benefits can be reported using the option value of the benefit. Without an holistic balance sheet approach, we think it is more straightforward to reflect the conditionality of the benefit by using a higher than risk free discount rate.	
987.	Generali vie	23.	We prefer option 3 : include discretionary benefits in technical provisions with the exception of surplus funds. The same principle should apply for insurance contracts.	Noted
988.	German Institute of Pension Actuaries (IVS\32\45\3	23.	We disagree. Article 78 of Solvency II does not consider the particularities of German occupational pensions in relation to the involvement of sponsor and beneficiaries in the running of pension plans. Beneficiaries (i.e. members) and the pension plan sponsor jointly decide on the distribution of surplus and thereby also take	Noted

			account of the IORP's risk position. We believe that benefits that are discretionary or conditional (e.g. on the distribution of future surplus) should only be included in the best estimate of technical provisions if a legally enforceable right to such payment exists, e.g. a minimum guarantee. In terms of Article 91, para. 2 Solvency II, we do not consider these as part of the liabilities.	
989.	Groupe Consultatif Actuariel Européen.	23.	Level A technical provisions should be defined to reflect the nature of the pension promise and include accrued benefits only: ☐ If the pension is fully guaranteed then the technical provision would be the value of the guaranteed pension cash flow discounted at an appropriate measure for a 'risk-free' rate (to be defined specifically for pensions to include concepts such as an illiquidity and matching premia) ☐ Discretionary benefits (where the discretion lies with the sponsor) should not be included – otherwise they would cease to be discretionary! ☐ If the pension is conditional, or a "soft" promise, we would see two possible approaches to valuing such cash flows: ☐ The preferred approach would be to project the pension cash flow under a large number of possible economic scenarios (or handled in an economically equivalent manner) taking into full consideration the conditionalities and/or the "softness" of the promise and then discount them back at an appropriate measure for a risk-free rate (inclusive of matching premium) ☐ If the pension cash flow is not easily available, or the conditionalities/softness cannot be translated into concrete decision rules, then it would be possible to envisage the	Noted

			valuation being done on the basis of an appropriate measure for a risk-free rate (inclusive of matching premium) plus an appropriate adjustment that reflects the uncertainties in the pension promise. This would, however, raise a number of complex questions about the extent to which decisions are conditional/soft under a given legal framework for a given IORP member, and also would have implications when it comes to developing cross border IORPs as per the wishes of the European Commission. Level B technical provisions are funding reserves which may be defined on a going concern basis and measured using the long term return expected on the IORPs assets. Accordingly, they may include advance provision for future salary increases, or an element of pre-funding for discretionary benefits.	
990.	Groupement Français des Bancassureurs	23.	FBIA favours option 3. According to the FBIA, the technical provisions should present an overall view of all benefits to be expected. FBIA agrees that discretionary benefits should be included in the best estimate of technical provisions. FBIA is not in favour of including the option of the Member State to treat discretionary benefits as surplus fund in a consistent approach with Solvency II regime. In all cases the same principle should apply for retirement schemes provided by the insurers.	Noted
991.	PMT-PME-Mn Services	23.	Discretionary benefits should not be taken into account in the value of the liabilities, given the nature and uncertainty of these benefits. We would advocate disclosing to members that such possibility for discretionary benefits exists, but without attaching any value to it in order not to raise false expectations. Also, in	Noted. Drawbacks options 2/3 included in impact assessment

			order not to raise false expectations, we are not in favour of the concept of surplus funds, as the very mentioning of assets in a surplus fund that could be used for discretionary benefits could possibly be interpreted as an indication that the discretionary benefits will be given. Related to the issue of discretionary and conditional benefits, we note that it is currently very much unclear how the specific Dutch situation of indexation granting is to be considered. This may turn out to become a legal issue where the nature of the benefits will depend on the exact formulation in the pension scheme. This may lead to the undesirable situation that for the one IORP the indexation granting is considered discretionary and for the next IORP it will be considered conditional, even though the intention of the indexation granting is the same. Also, this might be equally true for recourse on recovery contributions from a sponsor, given the exact formulation in the agreement with the sponsor. We urge to provide clarity on this point before we could provide our definite standpoint on this. Pending the exact outcome of these issues, we would rather prefer Option 1 on page 152 not to include discretionary benefits in the technical provisions. We do not agree however to the statement EIOPA makes that specification of what constitutes discretionary benefits should be taken at Level 2. Especially for Dutch pension schemes, it is of vital importance that we know whether the indexation mechanism is to be considered a discretionary or conditional benefit and what the consequences of either would be. For example, we strongly remark that it would be a mistake if solvency buffers would be calculated including any indexation option value, as this would continuously increase the buffers as the solvability rises. We advocate more clarity on this point before actually deciding on the Level 1 rules, possible during a preliminary QIS.	Need for more clarity during QIS included

			We are in favour of explicitly separating unconditional and conditional benefits. The conditional benefits should be unambiguously tied to a rule stating when and based upon which rule the benefit would be paid out or made unconditional. If a holistic balance sheet approach were to be chosen by the EC, the conditional benefits can be reported using the option value of the benefit. Without a holistic balance sheet approach, we think it is more straightforward to reflect the conditionality of the benefit by using a higher than risk free discount rate.	
992.	HM Treasury/Department for Work and Pensions	23.	TPs should include all guaranteed benefits. We would not want to see a requirement to include discretionary benefits, or a requirement to not include them. A method that allows IORPs to make this judgement on discretionary benefits (in line with long term plans) would be appropriate.	Noted, non-harmonised approach not within mandate
993.	Institute and Faculty of Actuaries (UK)	23.	We agree that conditional and discretionary benefits should be treated separately from unconditional benefits. Discretionary benefits (where the discretion lies with the sponsor) should not be included – otherwise this will lead sponsors to stop granting such discretionary benefits (as we are already seeing in the UK under the present regime). The consultation appears to be silent on whether or not allowance for future salary increases in final salary IORPs should be included in technical provisions. The impact of such increases on pension benefits are a conditional benefit, since it is conditional on their being granted by employers. For this reason, and for reasons of compatibility with insured benefits, we would not view such future benefits as being part of technical provisions in any "risk-free" calculation.	Noted. Drawbacks included in impact assessment
994.	KPMG LLP (UK)	23.	We agree that conditional and discretionary benefits should be treated separately from unconditional benefits.	Noted.

			Discretionary benefits should not be included in technical provisions – otherwise this would lead more sponsors to stop granting such discretionary benefits (as we are already seeing in the UK under the present regime).	Drawback included in impact assessment
995.	Le cercle des épargnants	23.	We prefer option 3 : include discretionary benefits in technical provisions with the exception of surplus funds. The same principle should apply for insurance contracts.	Noted
996.	Macfarlanes LLP	23.	(CfA 5 Valuation of assets, liabilities and technical provisions) Do the stakeholders agree with the analysis regarding the inclusion of unconditional, conditional and discretionary benefits in technical provisions as introduced by Article 78 of Solvency II? Do stakeholders find that discretionary benefits should be included in the best estimate of technical provisions? Is the Solvency II article on surplus funds useful for IORPs in this respect? No. Discretionary benefits should not be included in the calculation of technical provisions. The purpose of funding is to ensure that benefits to which members and their dependants are legally entitled can be met. By their nature, no entitlement arises to discretionary benefits. The analysis here is in danger of confusing member expectations with rights, and as such, is particularly unhelpful.	Noted. Drawback included in impact assessment
998.	Mercer	23.	No. We distinguish here between members' accrued benefits and entitlements, and between discretionary and conditional benefits:	Noted. Drawbacks included in impact assessment

			☐ Members' accrued benefits and entitlements are those benefits, some of which might be in payment, that cannot be reduced or otherwise altered without member consent; ☐ Discretionary benefits are benefits that have not been granted and that might not be granted; ☐ Conditional benefits are benefits where the payment is conditional upon a rule being met. These include, for example, benefits in payment that can be withdrawn if funding levels fall below a prescribed level, and benefit that will be paid if a prescribed test is met. We agree that the first and last type of benefit should be included in the technical provisions calculation but consider that discretionary benefits are fundamentally different and should not be included. In some countries, employers sometimes agree that schemes can award discretionary benefits when funding levels are high, where the test of 'high' is a subjective one left entirely to the employer's discretion. If discretionary benefits were included in the technical provisions calculation, the calculation would produce a larger result which is likely to have adverse consequences: ☐ Members' expectations might be raised unreasonably, and they might misunderstand the status of the 'discretion'; ☐ Discretions would become less likely to be granted; ☐ Employers might request trustees to remove the power to make discretionary increase from the scheme rules.	

			In none of these cases is the members' interests defended. In addition, including an allowance for discretionary benefits in the technical provisions would increase the cost of the scheme to the employer, even if ultimately IORPs become able to offset the liability by including subordinated liabilities amongst the assets disclosed on their balance sheet. It would be unreasonable for regulation to impose a cost on employers for benefits they have no intention of awarding.	
999.	MHP (Vakcentrale voor Middengroepen en Hoger Perso	23.	Discretionary benefits should not be taken into account in the value of the liabilities, given the nature and uncertainty of these benefits. We would advocate disclosing to members that such possibility for discretionary benefits exists, but without attaching any value to it in order not to raise false expectations. Also, in order not to raise false expectations, we are not in favour of the concept of surplus funds, as the very mentioning of assets in a surplus fund that could be used for discretionary benefits could possibly be interpreted as an indication that the discretionary benefits will be given. Related to the issue of discretionary and conditional benefits, we note that it is currently very much unclear how the specific Dutch situation of indexation granting is to be considered. This may turn out to become a legal issue where the nature of the benefits will depend on the exact formulation in the pension scheme. This may lead to the undesirable situation that for the one IORP the indexation granting is considered discretionary and for the next IORP it will be considered conditional, even though the intention of the indexation granting is the same. Also, this might be equally true for recourse on recovery contributions	Noted. Drawbacks options 2/3 included in impact assessment Need for more clarity during QIS included

			from a sponsor, given the exact formulation in the agreement with the sponsor. We urge to provide clarity on this point before we could provide our definite standpoint on this. Pending the exact outcome of these issues, we would rather prefer Option 1 on page 152 not to include discretionary benefits in the technical provisions. We do not agree however to the statement EIOPA makes that specification of what constitutes discretionary benefits should be taken at Level 2. Especially for Dutch pension schemes, it is of vital importance that we know whether the indexation mechanism is to be considered a discretionary or conditional benefit and what the consequences of either would be. For example, we strongly remark that it would be a mistake if solvency buffers would be calculated including any indexation option value, as this would continuously increase the buffers as the solvability rises. We advocate more clarity on this point before actually deciding on the Level 1 rules, possible during a preliminary QIS. We are in favour of explicitly separating unconditional and conditional benefits. The conditional benefits should be unambiguously tied to a rule stating when and based upon which rule the benefit would be paid out or made unconditional. If a holistic balance sheet approach were to be chosen by the EC, the conditional benefits can be reported using the option value of the benefit. Without a holistic balance sheet approach, we think it is more straightforward to reflect the conditionality of the benefit by using a higher than risk free discount rate.	
1.001.	National Association of Pension Funds (NAPF)	23.	Do the stakeholders agree with the analysis regarding the inclusion of unconditional, conditional and discretionary benefits in technical provisions as introduced by Article 78 of Solvency II? Do stakeholders find that discretionary benefits should be included in the best estimate of technical provisions? Is the	Noted

			Solvency II article on surplus funds useful for IORPs in this respect? The consultation paper gives a good assessment of the arguments for and against factoring some recognition of conditional and discretionary benefits into the calculation of technical provisions.	
1.003.	OECD Secretariat to the Working Party on Private P	23.	Do stakeholders agree with the analysis regarding the inclusion of unconditional, conditional and discretionary benefits in technical provisions as introduced by Article 78 of Solvency II? Do stakeholders find that discretionary benefits should be included in the best estimate of technical provisions? Is the Solvency II article on surplus funds useful for IORPs in this respect? If a best-estimate approach were to be used, then it would seem reasonable to also value discretionary benefits on the best-estimate probability that those benefits would be paid out in the future. However, if benefits truly are discretionary, then care must be taken that any provision for such benefits and any asset accumulation to cover such benefits do not in effect turn discretionary benefits into mandatory benefits. IAS 19 requires taking into account future salary increases when	Noted. Drawbacks included in impact assessment

			valuing technical provisions. However, this would not typically be consistent with an insurance company's valuation of a similar product. Furthermore, as recognised in the OECD Guidelines for Funding and Benefit Security the funding requirements of discretionary or conditional benefits should be more flexible than those for non-discretionary or guaranteed benefits.	
1.004.	Pan-European Insurance Forum (PEIF)	23.	In principle, EIOPA's decision to include unconditional, conditional and discretionary benefits in technical provisions seems plausible. At this stage Option 3, may be the way forward. The mapping of existing pension benefits into unconditional, conditional and discretionary as well as combined forms would increase transparency. The political challenges associated with such a mapping, even if significant, should not become a reason for not doing it. However, please see opening general comments. In any event, the regimes for IORPs and insurers should be consistent.	Noted
1.005.	Pensioenfonds Zorg en Welzijn (PFZW)	23.	Discretionary benefits should not be taken into account in the value of the liabilities, given the nature and uncertainty of these benefits. We would advocate disclosing to members that such possibility for discretionary benefits exists, but without attaching any value to it in order not to raise false expectations. Also, in order not to raise false expectations, we are not in favour of the concept of surplus funds, as the very mentioning of assets in a surplus fund that could be used for discretionary benefits could possibly be interpreted as an indication that the discretionary	Noted. Drawbacks options 2/3 included in impact assessment Need for more clarity during QIS included

			benefits will be given. Related to the issue of discretionary and conditional benefits, we note that it is currently very much unclear how the specific Dutch situation of indexation granting is to be considered. This may turn out to become a legal issue where the nature of the benefits will depend on the exact formulation in the pension scheme. This may lead to the undesirable situation that for the one IORP the indexation granting is considered discretionary and for the next IORP it will be considered conditional, even though the intention of the indexation granting is the same. Also, this might be equally true for recourse on recovery contributions from a sponsor, given the exact formulation in the agreement with the sponsor. We urge to provide clarity on this point before we could provide our definite standpoint on this. Pending the exact outcome of these issues, we would rather prefer Option 1 on page 152 not to include discretionary benefits in the technical provisions. We do not agree however to the statement EIOPA makes that specification of what constitutes discretionary benefits should be taken at Level 2. Especially for Dutch pension schemes, it is of vital importance that we know whether the indexation mechanism is to be considered a discretionary or conditional benefit and what the consequences of either would be. For example, we strongly remark that it would be a mistake if solvency buffers would be calculated including any indexation option value, as this would continuously increase the buffers as the solvability rises. We advocate more clarity on this point before actually deciding on the Level 1 rules, possible during a preliminary QIS. We are in favour of explicitly separating unconditional and conditional benefits. The conditional benefits should be unambiguously tied to a rule stating when and based upon which rule the benefit would be paid out or made unconditional. If a	

			holistic balance sheet approach were to be chosen by the European Commission, the conditional benefits can be reported using the option value of the benefit. Without a holistic balance sheet approach, we think it is more straightforward to reflect the conditionality of the benefit by using a higher than risk free discount rate.	
1.006.	Predica	23.	Predica favours option 3. According to Predica, the technical provisions should present an overall view of all benefits to be expected. Predica agrees that discretionary benefits should be included in the best estimate of technical provisions. Predica is not in favour of including the option of the Member State to treat discretionary benefits as surplus fund in a consistent approach with Solvency II regime. In all cases the same principle should apply for retirement schemes provided by the insurers.	Noted
1.007.	prof.dr. A.A.J. Pelsser HonFIA, Netspar & Maastric	23.	Yes & Yes: all types of benefits should be included in the calculation.	Noted
1.008.	PTK (Sweden)	23.	PTK believes that only unconditional benefits should be included in the technical provisions. Conditional and discretionary benefits should not be taken into account in the value of the liabilities, given the nature and uncertainty of these benefits. PTK is also in favour of of surplus funds e.g. in accordance with article 91.2 of Solvency II.	Noted

1.009.	Railways Pension Trustee Company Limited ("RPTCL	23.	Where discretions have been exercised in the past, some allowance for these does tend to be made within the technical provisions already. However it would not be appropriate to make it a requirement for discretionary benefits to be included within the technical provisions.	Noted
1.010.	Standard Life Plc	23.	It may be reasonable to include aspects such as discretionary increases in the technical provisions, but it is vital that the value of management's flexibility can be fully reflected in the determination of the capital requirements, ie. a net of management action capital requirement. To not take full credit for management actions could lead to sponsors feeling they need to exercise all possible management actions to reduce the liabilities, to ensure full value can be extracted from them. This would not be in the best interests of the members.	Noted
1.011.	TCO	23.	TCO believes that only unconditional benefits should be included in the technical provisions. Conditional and discretionary benefits should not be taken into account in the value of the liabilities, given the nature and uncertainty of these benefits. TCO is also in favour of surplus funds e.g. in accordance with article 91.2 of Solvency II.	Noted
1.012.	The Association of Pension Foundations (Finland)	23.	Discretionary benefits should not be included in best estimate technical provisions. If so, pension funds would remove all discretionary benefits by changing their rules, so eventually pensions would be lower. Only unconditional benefits should be included.	Noted Drawback addressed in impact assessment
1.013.	The Association of the Luxembourg Fund Industry (A	23.	The Respondents agree with EFRP and would rather prefer Option 1 and is in favour of explicitly separating unconditional and conditional benefits. For the valuation of conditional benefits, complex calculations based on option theory may be necessary. Discretionary benefits should not be taken into	Noted Drawback surplus funds addressed in impact assessment

			account in the value of the liabilities, given the nature and uncertainty of these benefits. These kinds of benefits are often paid out of extra returns. As long as future extra returns are not taking into account, also discretionary benefits do not be into the technical provisions. The Respondents would advocate disclosing to members that such possibility for discretionary benefits exists, but without attaching any value to it in order not to raise false expectations. Also, in order not to raise false expectations, the Respondents are not in favour of the concept of surplus funds, as the very mentioning of assets in a surplus fund that could be used for discretionary benefits could possibly be interpreted as an indication that the discretionary benefits will be given.	
1.014.	The Society of Actuaries in Ireland	23.	Yes we agree with the analysis regarding the inclusion of unconditional, conditional and discretionary benefits in technical provisions. We do not agree that discretionary benefits should be included in the best estimate of technical provisions. Any inclusions would be in direct conflict with the concept of a discretionary benefit as members have no realistic expectations of such benefits and so should not be included in the technical provisions. No, as it would discourage the employer against making additional contributions to the fund. We would push back on the concept of surplus funds solely being used to provide additional benefits for members.	Noted
1.015.	Towers Watson Deutschland GmbH	23.	Just as unconditional benefits must be included, we believe that entirely discretionary benefits should be excluded from technical provisions, since otherwise they would not be discretionary and	Noted

			effectively imply unconditionality. As to conditional benefits, we believe it is important to fully take account of the circumstances under which conditionality applies. We believe that there are many different variations of this theme in Europe and that this will change further in a number of member states. Care needs to be taken here too, that conditional benefits do not "slip" into unconditional benefits by virtue of a poor definition.	
1.016.	UK Association of Pension Lawyers	23.	CfA 5 (Valuation of assets, liabilities and technical provisions): Do stakeholders agree with the analysis regarding the inclusion of unconditional, conditional and discretionary benefits in technical provisions as introduced by Article 78 of Solvency II? Do stakeholders find that discretionary benefits should be included in the best estimate of technical provisions? Is the Solvency II article on surplus funds useful for IORPs in this respect? We do not support the core premise of adapting Solvency II for the generality of IORPs or re-legislating for IORPs by reference to the single market or a level playing field with insurance companies without reference to whether the IORPs actually or potentially "act in a manner similar to insurance companies" or are genuinely and meaningfully competing or operating in the same market as insurance companies. See the general comments we make in relation to question 38 below. We have nonetheless provided a comment in response to the specific question raised here, in the interests of providing EIOPA with a UK technical legal perspective on this matter, but (to emphasise a point made in raised in part (2) of our general comments at the beginning of this document) our having commented on this question should not be interpreted as our having given explicit or implicit support to the proposition of applying Solvency II to	Noted

			the generality of IORPs. Furthermore, this comment can only be viewed as an initial thought in the absence of further consultation on the potential economic effects of Solvency II (see the concerns raised in part (3) of our general comments at the beginning of this document), and indeed in the absence of an opportunity to carry out a more detailed technical analysis of the proposals under consideration and of the likely practical consequences of implementing them (see the comments made in the last paragraph of part (1) of our general comments at the beginning of this document). With those important qualifications in mind, our comment in response to this specific question is that we agree with the analysis of what amounts to an unconditional, conditional or discretionary benefit. We consider that unconditional benefits only should be included in the technical provisions. Unless the IORP must pay a benefit i.e. it is unconditional, the sponsor should not be required to fund for it. They should not therefore be included in the best estimate of technical provisions. While Article 91 of Solvency II may be of some application where benefits are secured with an insurer, it is not relevant to the type of structure where the sponsor funds the IORP and surplus arises because of outperformance of assets in relation to the cost of providing unconditional benefits. Such excess funds are appropriately governed by the rules of the IORP and existing legislation under national laws.	
1.017.	UNI Europa	23.	See question 22	Noted
1.018.	Universities Superannuation Scheme (USS),	23.	Do the stakeholders agree with the analysis regarding the inclusion of unconditional, conditional and discretionary benefits in technical provisions as introduced by Article 78 of Solvency II? Do stakeholders find that discretionary benefits should be included in the best estimate of technical provisions? Is the	

			Solvency II article on surplus funds useful for IORPs in this respect?	
1.019.	Verband der Firmenpensionskassen (VFPK) e.V.	23.	As far as pensions are only paid conditionally i.e. in form of profit sharing and only paid when surpluses actually exist these adaption opions have to be consideredConditional payments should therefore not be included in best estimate of technical provisions.	Noted
1.020.	VHP2 (Vakorganisatie voor middelbaar en hoger pers	23.	Discretionary benefits should not be taken into account in the value of the liabilities, given the nature and uncertainty of these benefits. We would advocate disclosing to members that such possibility for discretionary benefits exists, but without attaching any value to it in order not to raise false expectations. Also, in order not to raise false expectations, we are not in favour of the concept of surplus funds, as the very mentioning of assets in a surplus fund that could be used for discretionary benefits could possibly be interpreted as an indication that the discretionary benefits will be given. Related to the issue of discretionary and conditional benefits, we note that it is currently very much unclear how the specific Dutch situation of indexation granting is to be considered. This may turn out to become a legal issue where the nature of the benefits will depend on the exact formulation in the pension scheme. This may lead to the undesirable situation that for the one IORP the indexation granting is considered discretionary and for the next IORP it will be considered conditional, even though the intention of the indexation granting is the same. Also, this might be equally true for recourse on recovery contributions from a sponsor, given the exact formulation in the agreement	Noted. Drawbacks options 2/3 included in impact assessment Need for more clarity during QIS included

			with the sponsor. We urge to provide clarity on this point before we could provide our definite standpoint on this. Pending the exact outcome of these issues, we would rather prefer Option 1 on page 152 not to include discretionary benefits in the technical provisions. We do not agree however to the statement EIOPA makes that specification of what constitutes discretionary benefits should be taken at Level 2. Especially for Dutch pension schemes, it is of vital importance that we know whether the indexation mechanism is to be considered a discretionary or conditional benefit and what the consequences of either would be. For example, we strongly remark that it would be a mistake if solvency buffers would be calculated including any indexation option value, as this would continuously increase the buffers as the solvability rises. We advocate more clarity on this point before actually deciding on the Level 1 rules, possible during a preliminary QIS. We are in favour of explicitly separating unconditional and conditional benefits. The conditional benefits should be unambiguously tied to a rule stating when and based upon which rule the benefit would be paid out or made unconditional. If a holistic balance sheet approach were to be chosen by the EC, the conditional benefits can be reported using the option value of the benefit. Without a holistic balance sheet approach, we think it is more straightforward to reflect the conditionality of the benefit by using a higher than risk free discount rate.	
1.021.	Whitbread Group PLC	23.	We see no reason for change to the current regulatory regime for UK pension schemes, which provides strong protection for member's pension benefits	Noted
1.022.	Zusatzversorgungskasse des Baugewerbes AG	23.	33. We believe that pure discretional benefits should not be included in the technical provisions (9.3.123).	Noted

1.023.	Towers Watson	23.	24. Do the stakeholders agree with the analysis regarding the inclusion of unconditional, conditional and discretionary benefits in technical provisions as introduced by Article 78 of Solvency II? Do stakeholders find that discretionary benefits should be included in the best estimate of technical provisions? Is the Solvency II article on surplus funds useful for IORPs in this respect? We believe that true discretionary benefits should be excluded from technical provisions. If they were to be included in Level A technical provisions, the inevitable conclusion is that sponsors would cease providing them (and in UK terms, the decision generally rests with sponsors, or at least requires the sponsor's agreement). In general, we would support the inclusion of conditional benefits in technical provisions (which is not to say that they should be dealt with in the same way as unconditional benefits). This is because to exclude them would probably increase the likelihood of the circumstances arising in which the conditional benefits could not be delivered. However, we believe it is important to understand fully the types of conditional benefit that are provided by IORPs in different Member States before deciding whether or not a requirement should be introduced to include such benefits in technical provisions. This would also allow the definition of conditional benefits to be refined so that no true discretionary benefits are inadvertently caught. We imagine that sponsors would be very concerned about the risk that a benefit they regarded as fully discretionary might subsequently fall to be treated as conditional. To the extent that it is necessary to distinguish between conditional and unconditional benefits, our view is that benefits	Noted. Drawbacks included in impact assessment.

			that an IORP would no longer be obliged to provide if an individual's membership terminated are conditional benefits.	
1.024.	OPSG (EIOPA Occupational Pensions Stakeholder Group)	24.	See question 13	Noted
1.025.	AbA Arbeitsgemeinschaft für betriebliche Altersver	24.	The valuation of pension liabilities is based on a discounted cash flow approach taking into account the weighted probability of benefits arising including various options that members may have (not common in Germany). Benefits that contain financial guarantees are treated just as any other defined benefit as there is no difference in substance. We would not support the use of option pricing models to value these and oppose their itemization in a separate reserve.	Noted
1.026.	ABVAKABO FNV	24.	We agree that contractual options should be fully disclosed in the value of the technical provisions. However, if options in the plan are subject to a discretionary board decision, i.e. the Board decides whether or not to use or grant options, these options should not be disclosed in the value of the technical provision. Even if the discretionary decision process is executed along agreed procedures/guidelines/criteria they should not be disclosed. However, the existence of these options and the discretionary nature thereof should be communicated appropriately to plan members.	Noted.
1.027.	AEIP	24.	AEIP agrees that contractual options should be fully disclosed in the value of the technical provisions. When discretionary benefits are given, this should be made clear to the beneficiaries.	Noted
1.028.	AFPEN (France)	24.	100. AFPEN agrees to the including of contractual options in the calculation of technical provisions. 101. With respect to long-term guarantees EASPSI in general	Noted

			sees huge difficulties for IORPs: The risk-based and mark-to-market valuation of assets and liabilities leads to a highly volatile and doubtable calculation of own funds, as was often argued before by AFPEN. This problem culminates in the question of long-term guarantees due to the non-hedgeable duration mismatch between assets and liabilities for IORPs. Given the very long-term guarantees of defined benefit (DB) pension schemes the resulting capital requirements are immense. Important to point out: The security for the guaranteed benefit in case of DB schemes is already captured in the calculation of technical provisions. Therefore no additional buffer for long-term guarantees as in case of guarantees in the sense of Solvency II Art. 79.	
1.030.	AMICE	24.	AMICE agrees with EIOPA's proposal of introducing Article 79 of the Solvency II Directive.	Noted
1.031.	AMONIS OFP	24.	Do stakeholders agree with EIOPA's view of introducing Article 79 of Solvency II with appropriate amendments into a revised IORP Directive regarding allowances for financial guarantees and contractual options when establishing technical provisions? Yes, AMONIS OFP agrees that contractual or embedded options should be disclosed in the value of the technical provisions.	Noted
1.032.	ANIA – Association of Italian Insurers	24.	The ANIA fully agrees with EIOPA's view of introducing Article 79 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive.	Noted
1.033.	Association of British Insurers	24.	The ABI would support the introduction of the amended Article 79 regarding allowances for financial guarantees and contractual options.	Noted
1.034.	Association of Consulting Actuaries (UK)	24.	We agree that guarantees and options should be taken into account in calculating technical provisions.	Noted

1.035.	Association of French Insurers (FFSA)	24.	42. The FFSA fully agrees with EIOPA's view of introducing Article 79 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive. In all cases the same principle should apply for retirement schemes provided by the insurers.	Noted
1.036.	Association of Pensioneer Trustees in Ireland	24.	See response to question 12.	Noted
1.037.	Assoprevidenza – Italian Association for supplemen	24.	We agree to this proposal	Noted
1.038.	Assuralia	24.	Cfr. Q. 12 The extremely short delay for responding to the technical consultation document has forced the members of Assuralia to prioritize and to focus on a number of questions. Our lack of response to this question must not be regarded as a lack of interest or opinion.	Noted
1.039.	Balfour Beatty plc	24.	Do stakeholders agree with EIOPA's view of introducing Article 79 of Solvency II with appropriate amendments into a revised IORP Directive regarding allowances for financial guarantees and contractual options when establishing technical provisions? Options should be included on a proportionate basis, and distinction should be made between contractual options and conditional or discretionary ones. For example, most UK IORPs contain an option for members to take their pension early, subject to a reduction, but the option is often subject to the	Noted.

			agreement of the IORP trustees and/or the sponsor. The terms are usually reviewable at trustee (and perhaps sponsor) discretion. We can see that it could be difficult to establish whether such an option were conditional or not and thus such matters must be left to national regulators (who have more access to scheme specific information) to supervise.	
1.040.	Belgian Association of Pension Institutions (BVPI-	24.	Do stakeholders agree with EIOPA's view of introducing Article 79 of Solvency II with appropriate amendments into a revised IORP Directive regarding allowances for financial guarantees and contractual options when establishing technical provisions? Yes, BVPI-ABIP agrees that contractual options should be disclosed in the value of the technical provisions.	Noted
1.041.	BNP Paribas Cardif	24.	BNP Paribas Cardif fully agrees with EIOPA's view of introducing Article 79 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive. In all cases the same principle should apply for retirement schemes provided by the insurers.	Noted
1.042.	Bosch Pensionsfonds AG	24.	See under "General comment": "Sui generis" supervisory system for IORPs.	Noted
1.043.	Bosch-Group	24.	See under "General comment": "Sui generis" supervisory system for IORPs.	Noted
1.044.	BT Group plc	24.	We have no objection to the inclusion of allowances for options exercised by members (such as the commutation of pension into	Noted

			cash).	
1.045.	BT Pension Scheme Management Ltd	24.	We are significantly concerned by the complexity issue which EIOPA notes here. While the logic of the proposed approach is right, we do believe that implementation needs to be extremely careful so as not to burden IORPs with costs which are markedly disproportionate to the benefits of marginally greater accuracy in the technical provisions. While member options do impact cash flows, and so need to be modeled in advance, the impact on overall liabilities will general be so marginal as to be largely irrelevant.	Noted
1.046.	CEA	24.	The CEA fully agrees with EIOPA's view of introducing Article 79 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive.	Noted
1.047.	Charles CRONIN	24.	I agree with EIOPA's advice that Article 79 of Solvency II should be included in the new IORP directive, amended to take account of the inclusion of financial guarantees and contractual options in the calculation of technical provisions.	Noted
1.048.	Chris Barnard	24.	I agree with EIOPA's view of introducing Article 79 of Solvency II with appropriate amendments into a revised IORP Directive regarding allowances for financial guarantees and contractual options when establishing technical provisions. This is consistent with basic valuation principles; that guarantees and options should be valued at outset, rather than when called upon (or triggered). Given the complexity that could be involved here, and the limited resources available, I agree that IORPs should be able to apply the principle of proportionality in their estimations.	Noted
1.049.	CMHF (Centrale van Middelbare en Hogere Functionar	24.	We agree that contractual options should be fully disclosed in the value of the technical provisions. However, if options in the plan are subject to a discretionary board decision, i.e. the Board	Noted.

			decides whether or not to use or grant options, these options should not be disclosed in the value of the technical provision. Even if the discretionary decision process is executed along agreed procedures/guidelines/criteria they should not be disclosed. However, the existence of these options and the discretionary nature thereof should be communicated appropriately to plan members.	
1.050.	De Unie (Vakorganisatie voor werk, inkomen en loop	24.	We agree that contractual options should be fully disclosed in the value of the technical provisions. However, if options in the plan are subject to a discretionary board decision, i.e. the Board decides whether or not to use or grant options, these options should not be disclosed in the value of the technical provision. Even if the discretionary decision process is executed along agreed procedures/guidelines/criteria they should not be disclosed. However, the existence of these options and the discretionary nature thereof should be communicated appropriately to plan members.	Noted.
1.051.	Direction Générale du Trésor, Ministère des financ	24.	Yes we agree.	Noted
1.052.	Ecie vie	24.	Yes The same principle should apply for insurance contracts.	Noted
1.053.	European Association of Public Sector Pension Inst	24.	Do stakeholders agree with EIOPA's view of introducing Article 79 of Solvency II with appropriate amendments into a revised IORP Directive regarding allowances for financial guarantees and contractual options when establishing technical provisions? EAPSPI agrees with the inclusion of contractual options in the calculation of technical provisions.	Noted

			With respect to long-term guarantees EAPSPI in general sees major difficulties for IORPs: The risk-based and mark-to-market valuation of assets and liabilities leads to a highly volatile and compromised calculation of own funds, as has often been argued before by EAPSPI. This problem culminates in the question of long-term guarantees due to the non-hedgeable duration mismatch between assets and liabilities for IORPs. Given the very long-term guarantees of defined benefit (DB) pension schemes the resulting capital requirements are immense. It is important to point out that the security for the guaranteed benefit in case of DB schemes is already captured in the calculation of technical provisions. Therefore no additional buffer is required for long-term guarantees as in case of guarantees in the sense of Solvency II Art. 79.	
1.054.	European Federation for Retirement Provision (EFRP	24.	Yes, the EFRP agrees that contractual options should be disclosed in the value of the technical provisions.	Noted
1.055.	European Metalworkers Federation	24.	See response question 22	Noted
1.056.	European Mine, Chemical and Energy workers' Fede	24.	See previous	Noted
1.057.	Federation of the Dutch Pension Funds	24.	We agree that contractual options should be fully disclosed in the value of the technical provisions. However, if options in the plan are subject to a discretionary board decision, i.e. the Board decides whether or not to use or grant options, these options should not be disclosed in the value of the technical provision. Even if the discretionary decision process is executed along	Noted.

			agreed procedures/guidelines/criteria they should not be disclosed. However, the existence of these options and the discretionary nature thereof should be communicated appropriately to plan members.	
1.058.	Financial Reporting Council	24.	The proposal is not unreasonable although we consider that article 15 of the existing IORP already allows for this.	Noted
1.059.	FNMF – Fédération Nationale de la Mutualité França	24.	FNMF does not agree on valuation principles based on market value.	Noted
1.060.	FNV Bondgenoten	24.	We agree that contractual options should be fully disclosed in the value of the technical provisions. However, if options in the plan are subject to a discretionary board decision, i.e. the Board decides whether or not to use or grant options, these options should not be disclosed in the value of the technical provision. Even if the discretionary decision process is executed along agreed procedures/guidelines/criteria they should not be disclosed. However, the existence of these options and the discretionary nature thereof should be communicated appropriately to plan members.	Noted.
1.061.	Generali vie	24.	Yes The same principle should apply for insurance contracts.	Noted
1.062.	German Institute of Pension Actuaries (IVS\32\45\3	24.	We disagree. A conclusive fair value of liabilities based on balance sheet date data and derived from highly volatile capital markets is, in principle, not appropriate. The calculation of a capital requirement based on a mark-to-market valuation therefore makes no sense. This is substantiated by the fact that any form of life-long and guaranteed promise leads to unhedgable duration gaps between assets and liabilities. When valuing guarantees and options, it must be ensured that	Noted

			when having valued a guaranteed benefit, this is not valued a second time as a guarantee in the above sense, thereby leading to double counting. Any valuation of guaranteed benefits can only and exclusively be performed by a discounted cash flow methodology that is already taken account of in the best estimate liability. In determining the cash flow of guaranteed benefits, any additional contractual rights can be allowed for where appropriate and where not in conflict with the principle of proportionality.	
1.063.	Groupe Consultatif Actuariel Européen.	24.	Yes, subject to materiality.	Noted
1.064.	Groupement Français des Bancassureurs	24.	FBIA fully agrees with EIOPA's view of introducing Article 79 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive. In all cases the same principle should apply for retirement schemes provided by the insurers.	Noted
1.065.	PMT-PME-Mn Services	24.	We agree that contractual options should be fully disclosed in the value of the technical provisions. However, if options in the plan are subject to a discretionary board decision, i.e. the Board decides whether or not to use or grant options, these options should not be disclosed in the value of the technical provision. Even if the discretionary decision process is executed along agreed procedures/guidelines/criteria they should not be disclosed. However, the existence of these options and the discretionary nature thereof should be communicated appropriately to plan members.	Noted.
1.066.	HM Treasury/Department	24.	Financial guarantees must be accounted for. Contractual options	Noted, proportionality

	for Work and Pensions		do exist but are mostly negligible in their effects. We would support the principle of this Article, but on the basis that proportionality applies such that if the effects ere expected to be minimal, we would not expect schemes to spend a lot of time on this issue	already in draft advice
1.067.	Institute and Faculty of Actuaries (UK)	24.	This is one of the areas in which we believe it is important that proportionality is considered. We hope EIOPA is able to consult on these proposals again once it is clearer how proportionality will be interpreted.	Noted, proportionality already in draft advice
1.068.	KPMG LLP (UK)	24.	Yes, on a proportionate basis.	Noted, proportionality already in draft advice
1.069.	Le cercle des épargnants	24.	Yes The same principle should apply for insurance contracts.	Noted
1.070.	Macfarlanes LLP	24.	(CfA 5 Valuation of assets, liabilities and technical provisions) Do stakeholders agree with EIOPA's view of introducing Article 79 of Solvency II with appropriate amendments into a revised IORP Directive regarding allowances for financial guarantees and contractual options when establishing technical provisions? No	Noted
1.072.	Mercer	24.	We agree that schemes should reflect the value of member options in their calculation of the technical provisions, in the way described.	Noted
1.073.	MHP (Vakcentrale voor Middengroepen en Hoger	24.	We agree that contractual options should be fully disclosed in the value of the technical provisions. However, if options in the	Noted.

	Perso		plan are subject to a discretionary board decision, i.e. the Board decides whether or not to use or grant options, these options should not be disclosed in the value of the technical provision. Even if the discretionary decision process is executed along agreed procedures/guidelines/criteria they should not be disclosed. However, the existence of these options and the discretionary nature thereof should be communicated appropriately to plan members.	
1.075.	National Association of Pension Funds (NAPF)	24.	Do stakeholders agree with EIOPA's view of introducing Article 79 of Solvency II with appropriate amendments into a revised IORP Directive regarding allowances for financial guarantees and contractual options when establishing technical provisions?	
1.076.	Pan-European Insurance Forum (PEIF)	24.	Assuming that the Solvency II Framework Directive is the model to follow, then it would be appropriate to introduce Article 79 of the Solvency II Directive including the amendments as proposed by EIOPA. However, please see opening general comments. In any event, the regimes for IORPs and insurers should be consistent.	Noted
1.077.	Pensioenfonds Zorg en Welzijn (PFZW)	24.	We agree that contractual options should be fully disclosed in the value of the technical provisions. However, if options in the plan are subject to a discretionary board decision, i.e. the Board decides whether or not to use or grant options, these options should not be disclosed in the value of the technical provision. Even if the discretionary decision process is executed along agreed procedures / guidelines / criteria they should not be disclosed. However, the existence of these options and the discretionary nature thereof should be communicated appropriately to plan members.	Noted.

1.078.	Predica	24.	Predica fully agrees with EIOPA's view of introducing Article 79 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive. In all cases the same principle should apply for retirement schemes provided by the insurers.	Noted
1.079.	prof.dr. A.A.J. Pelsser HonFIA, Netspar & Maastric	24.	Yes, introduce Acritcle 79.	Noted
1.080.	PTK (Sweden)	24.	Yes, PTK agrees that contractual options should be disclosed in the value of the technical provisions.	Noted
1.081.	Railways Pension Trustee Company Limited ("RPTCL	24.	We have not considered this question.	Noted
1.082.	Reed Elsevier Group plc	24.	Allowance for guarantees and options should be allowed for in the technical provisions	Noted
1.083.	TCO	24.	Yes, TCO agrees that contractual options should be disclosed in the value of the technical provisions.	Noted
1.084.	The Association of Pension Foundations (Finland)	24.	There is very little gain for pension funds. Proportionality should be taken in consideration.	Noted
1.085.	The Association of the Luxembourg Fund Industry (A	24.	Yes, the Respondents agree that contractual options should be disclosed in the value of the technical provisions.	Noted
1.086.	The Hundred Group of Finance Directors (UK)	24.	We have no objection to the inclusion of allowances for options exercised by members (such as the commutation of pension into	Noted, proportionality already in draft advice

			cash), provided that the requirement can be applied proportionately where the exercise of the option is not expected to make a significant difference to the overall level of technical provisions.	
1.087.	The Society of Actuaries in Ireland	24.	We have no strong opinion in this regard.	Noted
1.088.	Towers Watson Deutschland GmbH	24.	We agree. However, there is a need to distinguish contractual options from conditional or discretionary ones.	Noted.
1.089.	UK Association of Pension Lawyers	24.	CfA 5 (Valuation of assets, liabilities and technical provisions): Do stakeholders agree with EIOPA's view of introducing Article 79 of Solvency II with appropriate amendments into a revised IORP Directive regarding allowances for financial guarantees and contractual options when establishing technical provisions? We do not support the core premise of adapting Solvency II for the generality of IORPs or re-legislating for IORPs by reference to the single market or a level playing field with insurance companies without reference to whether the IORPs actually or potentially "act in a manner similar to insurance companies" or are genuinely and meaningfully competing or operating in the same market as insurance companies. See the general comments we make in relation to question 38 below. We have nonetheless provided a comment in response to the specific question raised here, in the interests of providing EIOPA with a UK technical legal perspective on this matter, but (to emphasise a point made in raised in part (2) of our general comments at the beginning of this document) our having commented on this question should not be interpreted as our having given explicit	Noted

			or implicit support to the proposition of applying Solvency II to the generality of IORPs. Furthermore, this comment can only be viewed as an initial thought in the absence of further consultation on the potential economic effects of Solvency II (see the concerns raised in part (3) of our general comments at the beginning of this document), and indeed in the absence of an opportunity to carry out a more detailed technical analysis of the proposals under consideration and of the likely practical consequences of implementing them (see the comments made in the last paragraph of part (1) of our general comments at the beginning of this document). With those important qualifications in mind, our comment in response to this specific question is that the UK already has a regulatory structure in place for establishing technical provisions. As set out at 9.3.138, it is important that proportionality should be taken into account and implementing a universal valuation technique across Europe for all schemes is disproportionate as there would be limited value in practice. Therefore, we do not agree with EIOPA's view.	
1.090.	UNI Europa	24.	See question 22	Noted
1.091.	Universities Superannuation Scheme (USS),	24.	Do stakeholders agree with EIOPA's view of introducing Article 79 of Solvency II with appropriate amendments into a revised IORP Directive regarding allowances for financial guarantees and contractual options when establishing technical provisions?	
1.092.	Verband der Firmenpensionskassen (VFPK) e.V.	24.	The valuation of (guaranteed) benefits should be exclusively based on a discounted cash flow approach which is already covered by the best estimate liability reserve.	Noted
1.093.	VHP2 (Vakorganisatie voor middelbaar en hoger pers	24.	We agree that contractual options should be fully disclosed in the value of the technical provisions. However, if options in the	Noted.

			plan are subject to a discretionary board decision, i.e. the Board decides whether or not to use or grant options, these options should not be disclosed in the value of the technical provision. Even if the discretionary decision process is executed along agreed procedures/guidelines/criteria they should not be disclosed. However, the existence of these options and the discretionary nature thereof should be communicated appropriately to plan members.	
1.094.	Whitbread Group PLC	24.	We see no reason for change to the current regulatory regime for UK pension schemes, which provides strong protection for member's pension benefits	Noted
1.095.	Zusatzversorgungskasse des Baugewerbes AG	24.	We agree that contractual options should be disclosed in the value of the technical provisions.	Noted
1.096.	Towers Watson	24.	25. Do stakeholders agree with EIOPA's view of introducing Article 79 of Solvency II with appropriate amendments into a revised IORP Directive regarding allowances for financial guarantees and contractual options when establishing technical provisions? Yes, but there may be a need to distinguish contractual options from conditional or discretionary ones. For example, most UK IORPs contain an option for members to take their pension early, subject to a reduction, but the option is subject to the agreement of the IORP trustees and/or the sponsor. The terms for reducing the pension are also often set by the trustees and/or the sponsor without any obligation to maintain the current terms. If such an option was commonly offered and the terms were consistent over an extended period, it might be regarded as a conditional option. However, we envisage considerable difficulty in establishing whether this is the case without detailed	Noted.

			knowledge of the experience of each IORP. In our view, such matters must be left to national regulators to supervise.	
1.097.	OPSG (EIOPA Occupational Pensions Stakeholder Group)	25.	See question 13	Noted
1.098.	AbA Arbeitsgemeinschaft für betriebliche Altersver	25.	The segmentation of liabilities into risk groups is normally not necessary for IORPs as they display relatively homogeneous benefit and risk structures. Should this not be the case, we suggest that the Appointed Actuary should judge whether a segmentation is appropriate.	Noted
1.099.	ABVAKABO FNV	25.	We feel positive about the idea of splitting the technical provisions into homogeneous risk groups. However, more detail is needed as to what would constitute homogeneous risk groups. A split in DB and DC would make sense, but possible other splits could lead to overly burdensome administration for smaller funds. We advise therefore to state the possibility to use this within an internal risk framework that could enhance risk management and transparency. We are in favour of option 1, but with more clarification as to what would constitute homogeneous risk groups other than DB and DC.	Agreed, option 1 selected. Clarification added in explanatory text.
1.100.	AEIP	25.	AEIP favours option 2. Splitting the technical provisions into homogeneous risk groups should be left as an option.	Noted
1.101.	AFPEN (France)	25.	AFPEN does not see any advantages of a mandatory rule for risk segmentation into homogenous risk groups and wants to point to the additional cost for small IORPs. Furthermore the notion of collective risk sharing as a expression of solidarity is important for some public sector IORPs.	Noted
1.103.	AMICE	25.	AMICE agrees with EIOPA's suggestion of introducing Article 80 of Solvency II with appropriate amendments into a revised IORP Directive.	Agreed, option 1 selected.

1.104.	AMONIS OFP	25.	Do stakeholders agree that it would be useful to introduce Article 80 of Solvency II with appropriate amendments into a revised IORP Directive regarding appropriate segmentation of risk groups when calculating technical provisions? AMONIS OFP prefer option2, Article 15 of the actual IORP directive is sufficient.	Noted
1.105.	ANIA – Association of Italian Insurers	25.	The ANIA agrees with EIOPA's view of introducing Article 80 of the Solvency II Directive, including the amendments proposed by EIOPA in its Advice in the revised Directive. The ANIA does not favour the reference to Article 15 of the current IORP Directive since it is too vague and leaves room for interpretation.	Agreed, option 1 selected
1.106.	Association of British Insurers	25.	The ABI would support Option 2 as we believe Article 15 of the IORP Directive is sufficient and that adding the amended Article 80 of the Solvency II Directive would not be necessary.	Noted
1.107.	Association of Consulting Actuaries (UK)	25.	We believe that benefits within an IORP are typically more homogeneous than the liabilities of insurers. We see value in separating out components of the technical provisions where the underlying risks are substantially different (e.g. within a plan with DB and DC sections). Any such introduced requirement must be subject to proportionality / materiality considerations. Overall, while this segmentation has meaning within the context of a multi-line insurance company, it has little meaning within the context of many IORPs.	Noted, proportionality and materiality added
1.108.	Association of French Insurers (FFSA)	25.	The FFSA agrees with EIOPA's view of introducing Article 80 of the Solvency II Directive.	Agreed, option 1 selected
1.109.	Association of Pensioneer Trustees in Ireland	25.	See response to question 12.	
1.110.	Assoprevidenza – Italian	25.	We prefer option 2.	Noted

	Association for supplemen			
1.111.	Assuralia	25.	Cfr. Q. 12 The extremely short delay for responding to the technical consultation document has forced the members of Assuralia to prioritize and to focus on a number of questions. Our lack of response to this question must not be regarded as a lack of interest or opinion.	Noted
1.112.	Belgian Association of Pension Institutions (BVPI-	25.	Do stakeholders agree that it would be useful to introduce Article 80 of Solvency II with appropriate amendments into a revised IORP Directive regarding appropriate segmentation of risk groups when calculating technical provisions? BVPI-ABIP prefer option2, Article 15 of the actual IORP directive is sufficient.	Noted
1.113.	BNP Paribas Cardif	25.	BNP Paribas Cardif agrees with EIOPA's view of introducing Article 80 of the Solvency II Directive.	Agreed, option 1 selected
1.114.	Bosch Pensionsfonds AG	25.	See under "General comment": "Sui generis" supervisory system for IORPs.	Noted
1.115.	Bosch-Group	25.	See under "General comment": "Sui generis" supervisory system for IORPs.	Noted
1.116.	BT Pension Scheme Management Ltd	25.	We are not sure that there are significant risk group segments within most IORPs, so are not clear that including this Article would be of value. Certainly, we do not believe that there would be any appropriate segmentation of risks to be made within the BT Pension Scheme. Particularly since such an Article would be	Noted

			duplicative of rules elsewhere, we would recommend that this should not be included.	
1.117.	CEA	25.	The CEA agrees with EIOPA's view of introducing Article 80 of the Solvency II Directive, including the amendments proposed by EIOPA in its Advice in the revised Directive. The CEA does not favour the reference to Article 15 of the current IORP Directive since it is too vague and leaves room for interpretation.	Agreed, option 1 selected
1.118.	Charles CRONIN	25.	In the desire to promote cross border provision of IORPs then option 1 is a prudential necessity. The inclusion of text from Article 80, requiring the separation of risk groups. However this will impose an additional cost on cross border IORPs and is perhaps highlight one of the problems of cross border IORPs, they produce additional complications, which limit their utility.	Agreed, option 1 selected. Negative impact on cross-border activity included
1.119.	Chris Barnard	25.	Yes, I agree that Article 80 on segmentation should be introduced into a revised IORP Directive. This would be more complete compared with the existing requirements under Article 15 of the IORP Directive.	Agreed, option 1 selected.
1.120.	CMHF (Centrale van Middelbare en Hogere Functionar	25.	We feel positive about the idea of splitting the technical provisions into homogeneous risk groups. However, more detail is needed as to what would constitute homogeneous risk groups. A split in DB and DC would make sense, but possible other splits could lead to overly burdensome administration for smaller funds. We advise therefore to state the possibility to use this within an internal risk framework that could enhance risk management and transparency. We are in favour of option 1, but with more clarification as to what would constitute homogeneous risk groups other than DB and DC.	Agreed, option 1 selected. Clarification added in explanatory text.
1.121.	De Unie (Vakorganisatie voor werk, inkomen en	25.	We feel positive about the idea of splitting the technical provisions into homogeneous risk groups. However, more detail	Agreed, option 1 selected.

	loop		is needed as to what would constitute homogeneous risk groups. A split in DB and DC would make sense, but possible other splits could lead to overly burdensome administration for smaller funds. We advise therefore to state the possibility to use this within an internal risk framework that could enhance risk management and transparency. We are in favour of option 1, but with more clarification as to what would constitute homogeneous risk groups other than DB and DC.	Clarification added in explanatory text.
1.122.	Direction Générale du Trésor, Ministère des financ	25.	Yes we agree.	Agreed, option 1 selected
1.123.	Ecie vie	25.	Yes	Agreed, option1 selected
1.124.	EFI (European Federation of Investors)	25.	Yes we agree	Agree, option 1 selected
1.125.	European Association of Public Sector Pension Inst	25.	Do stakeholders agree that it would be useful to introduce Article 80 of Solvency II with appropriate amendments into a revised IORP Directive regarding appropriate segmentation of risk groups when calculating technical provisions? EAPSPI does not see any advantages of a mandatory rule for risk segmentation into homogenous risk groups and wants to point to the additional cost for small IORPs. Furthermore the notion of collective risk sharing as an expression of solidarity is important for public sector IORPs.	Noted, proportionality added to advice
1.126.	European Federation for Retirement Provision (EFRP	25.	The EFRP does not fundamentally reject the idea of splitting the technical provisions into homogeneous risk groups, but on the other hand the EFRP does also not see any significant benefit of	Noted, proportionality added to advice

			this proposal. EFRP thinks that it would be best not to make this mandatory. For small pension funds, such a split up would be overly burdensome. We advice therefore to state the possibility to use this within an internal risk framework that could enhance risk management and transparency.	
1.127.	European Metalworkers Federation	25.	See response question 22	Noted
1.128.	European Mine, Chemical and Energy workers' Fede	25.	See previous	Noted
1.129.	FAIDER (Fédération des Associations Indépendantes	25.	Yes we agree	Agreed, option 1 selected
1.130.	Federation of the Dutch Pension Funds	25.	We feel positive about the idea of splitting the technical provisions into homogeneous risk groups. However, more detail is needed as to what would constitute homogeneous risk groups. A split in DB and DC would make sense, but possible other splits could lead to overly burdensome administration for smaller funds. We advise therefore to state the possibility to use this within an internal risk framework that could enhance risk management and transparency. We are in favour of option 1, but with more clarification as to what would constitute homogeneous risk groups other than DB and DC.	Agreed, option 1 selected. Clarification added in explanatory text.
1.131.	Financial Reporting Council	25.	We do not agree that it would be useful to introduce article 80 into a revised IORP. We consider that article 15 of the existing IORP is sufficient. A requirement to segment would be disproportionate for many IORPs.	Noted, proportionality added to advice
1.132.	FNMF – Fédération Nationale de la Mutualité França	25.	FNMF does not agree on valuation principles based on market value.	Noted

1.133.	FNV Bondgenoten	25.	We feel positive about the idea of splitting the technical provisions into homogeneous risk groups. However, more detail is needed as to what would constitute homogeneous risk groups. A split in DB and DC would make sense, but possible other splits could lead to overly burdensome administration for smaller funds. We advise therefore to state the possibility to use this within an internal risk framework that could enhance risk management and transparency. We are in favour of option 1, but with more clarification as to what would constitute homogeneous risk groups other than DB and DC.	Agreed, option 1 selected. Clarification added in explanatory text.
1.134.	Generali vie	25.	Yes	Agreed, option 1 selected
1.135.	German Institute of Pension Actuaries (IVS\32\45\3	25.	We agree that it is useful to perform an appropriate segmentation when calculating technical provisions as long as it is not in conflict with the principle of proportionality.	Agreed, option 1 selected. Proportionality added to advice
1.136.	Groupe Consultatif Actuariel Européen.	25.	Such segmentation is only necessary where different groups within the same IORP have different rights and/or commitments (eg DB v. DC, or segregated sections for different employers in multi-employer IORPs, or different calls on the assets of the IORPs)	Noted, clarification added to explanatory text
1.137.	Groupement Français des Bancassureurs	25.	FBIA agrees with EIOPA’s view of introducing Article 80 of the Solvency II Directive.	Agreed, option 1 selected
1.138.	PMT-PME-Mn Services	25.	We feel positive about the idea of splitting the technical provisions into homogeneous risk groups. However, more detail is needed as to what would constitute homogeneous risk groups. A split in DB and DC would make sense, but possible other splits could lead to overly burdensome administration for smaller	Agreed, option 1 selected. Clarification added in explanatory text.

			funds. We advise therefore to state the possibility to use this within an internal risk framework that could enhance risk management and transparency. We are in favour of option 1, but with more clarification as to what would constitute homogeneous risk groups other than DB and DC.	
1.139.	HM Treasury/Department for Work and Pensions	25.	No. We do not agree that this would be useful. It would create an additional burden, with no additional benefit – as the draft advice notes. Given that EIOPA's draft advice acknowledges that any change will be "overly burdensome with little or no additional gain" the draft advice should have immediately ruled out any change, and it is disappointing that it has not done so.	Noted, proportionality added to advice
1.140.	Institute and Faculty of Actuaries (UK)	25.	If any change is to be imposed on UK IORPs then the definition of different risk groups needs to be made clear. If different groups within the same IORP have segregated calls on assets (e.g. separate defined benefit and defined contribution sections, or segregated sections for different employers in multi-employer IORPs) then such segmentation is logical.	Noted, clarification added in explanatory text
1.141.	KPMG LLP (UK)	25.	We do not see any need for any further rules on the segmentation of risk groups, given the present wording of the IORP Directive.	Noted
1.142.	Le cercle des épargnants	25.	Yes	Agreed, option 1 selected
1.143.	Macfarlanes LLP	25.	(CfA 5 Valuation of assets, liabilities and technical provisions) Do stakeholders agree that it would be useful to introduce Article 80 of Solvency II with appropriate amendments into a revised IORP Directive regarding appropriate segmentation of risk groups when calculating technical provisions? No. This would not be useful and would interfere with	Noted

			established trust law in the UK.	
1.145.	Mercer	25.	We agree that, in calculating technical provisions, schemes should take into account the various different risk groups they are exposed to. However, the word 'segment' means something specific in some member states' legislation, so we suggest that a more general principle might be preferable. For example: ☐ IORPs shall take into account the different risk groups in the scheme when calculating technical provisions. At a minimum, DB and DC liabilities should be treated separately.	Noted
1.146.	MHP (Vakcentrale voor Middengroepen en Hoger Perso	25.	We feel positive about the idea of splitting the technical provisions into homogeneous risk groups. However, more detail is needed as to what would constitute homogeneous risk groups. A split in DB and DC would make sense, but possible other splits could lead to overly burdensome administration for smaller funds. We advise therefore to state the possibility to use this within an internal risk framework that could enhance risk management and transparency. We are in favour of option 1, but with more clarification as to what would constitute homogeneous risk groups other than DB and DC.	Agreed, option 1 selected. Clarification added in explanatory text.
1.148.	National Association of Pension Funds (NAPF)	25.	Do stakeholders agree that it would be useful to introduce Article 80 of Solvency II with appropriate amendments into a revised IORP Directive regarding appropriate segmentation of risk groups when calculating technical provisions? The NAPF agrees with the statement in para 9.3.145 of the	Noted

			consultation paper – that the text in Article 15 of the current IORP Directive adequately covers the requirement for IORPs to take account of the nature of all the schemes under their operation. There is no need for additional text.	
1.150.	Pan-European Insurance Forum (PEIF)	25.	Assuming that the Solvency II Framework Directive is the model to follow, then for the majority of PEIF, Option 1 would be appropriate. However, please see opening general comments. In any event, the regimes for IORPs and insurers should be consistent.	Noted
1.151.	Pensioenfonds Zorg en Welzijn (PFZW)	25.	We feel positive about the idea of splitting the technical provisions into homogeneous risk groups. However, more detail is needed as to what would constitute homogeneous risk groups. A split in Defined Benefit (DB) and Defined Contribution (DC) would make sense, but possible other splits could lead to overly burdensome administration for smaller funds. We advise therefore to state the possibility to use this within an internal risk framework that could enhance risk management and transparency. We are in favour of option 1, but with more clarification as to what would constitute homogeneous risk groups other than DB and DC.	Agreed, option 1 selected. Clarification added in explanatory text.
1.152.	Predica	25.	Predica agrees with EIOPA's view of introducing Article 80 of the Solvency II Directive.	Agreed, option 1 selected
1.153.	prof.dr. A.A.J. Pelsser HonFIA, Netspar & Maastric	25.	Choose Option 2: Article 15 of the IORP is sufficient	Noted

1.154.	PTK (Sweden)	25.	PTK does not see any significant benefit of this proposal of splitting the technical provisions into homogeneous risk groups. It would be best not to make this mandatory. For small pension funds, such a split up would be overly burdensome.	Noted, proportionality added to advice
1.155.	Railways Pension Trustee Company Limited ("RPTCL	25.	RPTCL does not agree that it would be useful to introduce article 80 into a revised IORP. Under the existing IORP, there is already the ability to segment risk groups when calculating technical provisions. RPTCL does this by considering six groups of employer covenant strength when calculating technical provisions. As an example of how the different risk groups are dealt with when calculating technical provisions, the group with the very strongest covenants have technical provisions calculated using discount rate close to a best-estimate of expected asset returns based on the assets held whereas the group with the very weakest covenants have technical provisions calculated using close to a risk-free discount rate. Therefore, we consider that the introduction of article 80 into a revised IORP would lead to extra cost with no added value.	Noted
1.156.	Standard Life Plc	25.	We support Option 2. Article 15 of the IORP Directive is sufficient and adding the amended Article 80 of the Solvency II Directive is not necessary.	Noted
1.157.	TCO	25.	TCO does not see any significant benefit of this proposal of splitting the technical provisions into homogeneous risk groups. It would be best not to make this mandatory. For small pension funds, such a split up would be overly burdensome.	Noted
1.158.	The Association of Pension Foundations (Finland)	25.	No changes is needed. Proper segamentation is already in use.	Noted

1.159.	The Association of the Luxembourg Fund Industry (A	25.	The Respondents are in favour of option 2 (no change), but would suggest that a distinction has to be made between DB and DC plans.	Noted
1.160.	The Society of Actuaries in Ireland	25.	No strong opinion – not essential to the framework, we do not believe it adds any value to the Directive	Noted
1.161.	Towers Watson Deutschland GmbH	25.	We agree that it is useful to perform an appropriate segmentation when calculating technical provisions as long as it is reasonable and proportional to do so.	Agreed, option 1 selected. Proportionality added to advice
1.162.	Trades Union Congress (TUC)	25.	Do stakeholders agree that it would be useful to introduce Article 80 of Solvency II with appropriate amendments into a revised IORP Directive regarding appropriate segmentation of risk groups when calculating technical provisions? We agree with EIOPA that no change is necessary to the IORP Directive and that Article 15 of the Directive is sufficient. The text of Article 80 of Solvency II should not included in the IORP Directive.	Noted
1.163.	Transport for London / TfL Pension Fund	25.	We do not believe it would be useful to introduce Article 80 of Solvency II as the text in Article 15 of the current IORP Directive is sufficient.	Noted
1.164.	UK Association of Pension Lawyers	25.	CfA 5 (Valuation of assets, liabilities and technical provisions): Do stakeholders agree that it would be useful to introduce Article 80 of Solvency II with appropriate amendments into a revised IORP Directive regarding appropriate segmentation of risk	Noted

			groups when calculating technical provisions? We do not support the core premise of adapting Solvency II for the generality of IORPs or re-legislating for IORPs by reference to the single market or a level playing field with insurance companies without reference to whether the IORPs actually or potentially "act in a manner similar to insurance companies" or are genuinely and meaningfully competing or operating in the same market as insurance companies. See the general comments we make in relation to question 38 below. We have nonetheless provided a comment in response to the specific question raised here, in the interests of providing EIOPA with a UK technical legal perspective on this matter, but (to emphasise a point made in raised in part (2) of our general comments at the beginning of this document) our having commented on this question should not be interpreted as our having given explicit or implicit support to the proposition of applying Solvency II to the generality of IORPs. Furthermore, this comment can only be viewed as an initial thought in the absence of further consultation on the potential economic effects of Solvency II (see the concerns raised in part (3) of our general comments at the beginning of this document), and indeed in the absence of an opportunity to carry out a more detailed technical analysis of the proposals under consideration and of the likely practical consequences of implementing them (see the comments made in the last paragraph of part (1) of our general comments at the beginning of this document). With those important qualifications in mind, our comment in response to this specific question is that we do not agree that the introduction of Article 80 into the context of a new IORP Directive would be useful. Additional wording may cause confusion and is not necessary.	

1.165.	UNI Europa	25.	See question 22	
1.166.	Universities Superannuation Scheme (USS),	25.	Do stakeholders agree that it would be useful to introduce Article 80 of Solvency II with appropriate amendments into a revised IORP Directive regarding appropriate segmentation of risk groups when calculating technical provisions?	
1.167.	Verband der Firmenpensionskassen (VFPK) e.V.	25.	The segmentation of pension commitments into risk groups may be applied where necassary.	Agreed, option 1 selected
1.168.	VHP2 (Vakorganisatie voor middelbaar en hoger pers	25.	We feel positive about the idea of splitting the technical provisions into homogeneous risk groups. However, more detail is needed as to what would constitute homogeneous risk groups. A split in DB and DC would make sense, but possible other splits could lead to overly burdensome administration for smaller funds. We advise therefore to state the possibility to use this within an internal risk framework that could enhance risk management and transparency. We are in favour of option 1, but with more clarification as to what would constitute homogeneous risk groups other than DB and DC.	Agreed, option 1 selected. Clarification added in explanatory text.
1.169.	Whitbread Group PLC	25.	We see no reason for change to the current regulatory regime for UK pension schemes, which provides strong protection for member's pension benefits	Noted
1.170.	Zusatzversorgungskasse des Baugewerbes AG	25.	We favour option 2. Splitting the technical provisions into homogeneous risk groups should be left as an option.	Noted
1.171.	Towers Watson	25.	26. Do stakeholders agree that it would be useful to introduce Article 80 of Solvency II with appropriate amendments into a revised IORP Directive regarding appropriate segmentation of	Noted

			risk groups when calculating technical provisions? This seems a logical requirement in the context of insurance companies that transact a range of fundamentally different types of business. However, given the relatively more homogeneous nature of their liabilities, we doubt that it would achieve any particular benefit for IORPs. If such a requirement were to be introduced, then it should be made clear that IORPs themselves would be responsible for determining the appropriate segmentation based on their own circumstances. We would also be concerned to ensure that IORPs are not required to disclose their segmentation, other than to the supervisory authorities, as this could lead to breach of confidentiality or data protection requirements in some situations. At present, UK IORPs already break down their liabilities into those relating to current pensioners (beneficiaries), in-service members and preserved members (former members who retain a pension right payable when they reach retirement age). (Please note that the nomenclature for members here relates to the definitions in UK pensions legislation.) IORPs also break down their liabilities into further groups if required in order to set appropriate assumptions for each group where their characteristics are sufficiently different. This is part of fundamental actuarial practice	
1.172.	OPSG (EIOPA Occupational Pensions Stakeholder Group)	26.	See question 13	Noted
1.173.	AbA Arbeitsgemeinschaft für betriebliche Altersver	26.	It is reasonable and appropriate for the IORP to account for a receivable from reinsurance contracts and special purpose vehicles when a claim has been made but not yet been paid. It is	Noted

			also appropriate to make an adjustment to reflect the probability that the amounts may not be fully recoverable from the counterparty. This represents current practice at IORPs. Appropriate methodologies already exist for the calculation of this position and should be maintained. As such, it is not necessary to introduce a respective article into the IORP Directive.	
1.174.	ABVAKABO FNV	26.	In principle, we agree that Solvency II rules regarding reinsurance contracts and SPVs can be used. We would suggest however that the allowance for credit risk should not be interpreted as imposing an option element within the value of the reinsurance contract, but rather as a (periodic) assessment regarding the likelihood of receiving the insurance. This means that we advise on Option 2 but with additional clarification on how to take into account the credit risk.	Agreed, option 2 selected. Possibility of simplifications added to advice and counterparty risk clarified in explanatory text
1.175.	AEIP	26.	AEIP favours option 1.	Noted
1.176.	AFPEN (France)	26.	AFPEN in general agrees to option 1: not to include Article 81 in the IORP II but incorporate the gen-eral principle. This means that recoverables from reinsurance contracts and special purpose vehicles shall be calculated separable and adequately considering the effects of counterparty default or credit risk and account for time differences. The concrete values are subject to the individual estimation of the IORP based on experience and rating information. In AFPENs opinion it is to avoid a mechanical adjustment requirement of technical provisions due to adjustments of rating in order to beware of pro-cyclical effects.	Noted, alternative for ratings included in explanatory text
1.178.	AMICE	26.	AMICE is in favour of applying option, i.e. the application of article 81 of Solvency II with the necessary amendments to address IORPs' characteristics.	Agreed, option 2 selected
1.179.	AMONIS OFP	26.	What is the view of stakeholders on the two options regarding	Noted

			recoverables form reinsurance contracts and special purpose vehicles as introduced by Article 81 of Solvency II? AMONIS OFP favours option 1, not to include article 81 of the Solvency II directive in the IORP directive.	
1.180.	ANIA – Association of Italian Insurers	26.	The ANIA believes that an introduction of Article 81 of Solvency II in the revised IORP Directive with minor amendments in order to address IORP specificities is the most appropriate. While the use of special purpose vehicles is rather rare, the use of reinsurance contracts is widely spread eg to cover against death benefits. As such, the ANIA believes that at least appropriate default risk of the counter party should be included in the revised IORP Directive as well as the loss arising from this. Within Solvency II, there is a possibility to use the solvency ratio from a regulated insurer. The solvency ratio should act as a benchmark to define the counterparty default risk.	Agreed, option 2 selected. Possibility of solvency ratios mentioned in explanatory text
1.181.	Association of British Insurers	26.	The ABI believes Option 2 seems too heavyweight. It requires a great deal of information from the supplier and involves potentially speculative decisions on the viability of the counterparty.	Noted, negative impact on burdensome estimations
1.182.	Association of Consulting Actuaries (UK)	26.	As stated above in question 20, we believe that there is no value in including IORP liabilities in a calculation of technical provisions where these are matched by contracts with a regulated insurer. Subject to this amendment, we have no difficulties to include gross liabilities and reinsurance as separate items in the IORP's calculations.	Noted
1.183.	Association of French Insurers (FFSA)	26.	43. The FFSA believes that an introduction of Article 81 of Solvency II in the revised IORP Directive with minor amendments in order to address IORP specificities is the most appropriate. The use of reinsurance contracts is widely spread e.g. to cover against death benefits. The FFSA supports the	Agreed, option 2 selected

			EIOPA proposal regarding the expected losses due to default of the counterparty. In all cases the same principle should apply for retirement schemes provided by the insurers.	
1.184.	Association of Pensioneer Trustees in Ireland	26.	See response to question 12.	Noted
1.185.	Assoprevidenza – Italian Association for supplemen	26.	We agree with option 1	Noted
1.186.	Assuralia	26.	Cfr. Q. 12 The extremely short delay for responding to the technical consultation document has forced the members of Assuralia to prioritize and to focus on a number of questions. Our lack of response to this question must not be regarded as a lack of interest or opinion.	Noted
1.187.	Balfour Beatty plc	26.	What is the view of stakeholders on the two options regarding recoverables from reinsurance contracts and special purpose vehicles as introduced by Article 81 of Solvency II? Special Purpose Vehicles are little used by UK pension schemes (reinsurance, if this includes buy-in policies used by trustees, is more common) and therefore we do not think that it is necessary or proportionate to introduce further detailed requirements regarding their valuation.	Noted

			In both cases, as they are assets of the IORP, they would be subject to the normal asset valuation requirements (which we expect would take into account the nature and the timing of the expected recoveries from such vehicles, and associated risks such as counter-party default risk). We therefore prefer option 1.	
1.188.	Belgian Association of Pension Institutions (BVPI-	26.	What is the view of stakeholders on the two options regarding recoverables form reinsurance contracts and special purpose vehicles as introduced by Article 81 of Solvency II? BVPI-ABIP favours option 1, not to include article 81 of the Solvency II directive in the IORP directive.	Noted
1.189.	BNP Paribas Cardif	26.	BNP Paribas Cardif believes that an introduction of Article 81 of Solvency II in the revised IORP Directive with minor amendments in order to address IORP specificities is the most appropriate. The use of reinsurance contracts is widely spread e.g. to cover against death benefits. BNP Paribas Cardif supports the EIOPA proposal regarding the expected losses due to default of the counterparty. In all cases the same principle should apply for retirement schemes provided by the insurers.	Agreed, option 2 selected
1.190.	Bosch Pensionsfonds AG	26.	See under "General comment": "Sui generis" supervisory system for IORPs.	Noted
1.191.	Bosch-Group	26.	See under "General comment": "Sui generis" supervisory system for IORPs.	Noted
1.192.	BT Pension Scheme Management Ltd	26.	As indicated in our response to Question 20, we believe that it is necessary for the benefits of all contractual relationships, whether in the form of an insurance contract or otherwise, must	Agreed, option 2 selected.

			be included in the asset side of the IORP balance sheet. We therefore strongly support Option 2. We do not share EIOPA's view that insurance contracts are of lesser importance to IORPs – though we agree that SPVs certainly are.	Importance of reinsurance changed in explanatory text
1.193.	CEA	26.	The CEA believes that an introduction of Article 81 of Solvency II in the revised IORP Directive with minor amendments in order to address IORP specificities is the most appropriate. While the use of special purpose vehicles is rather rare, the use of reinsurance contracts is widely spread eg to cover against death benefits. As such, the CEA believes that at least appropriate default risk of the counter party should be included in the revised IORP Directive as well as the loss arising from this. Within Solvency II, there is a possibility to use the solvency ratio from a regulated insurer. The solvency ratio should act as a benchmark to define the counterparty default risk.	Agreed, option 2 selected. Possibility of solvency ratios included in explanatory text
1.194.	Chris Barnard	26.	I would support option 2, which would apply Article 81 of the Solvency II Directive to IORPs. I do not think that this is excessively burdensome for those IORPs that would have amounts recoverable from reinsurance contracts and special purpose vehicles.	Agreed, option 2 selected
1.195.	CMHF (Centrale van Middelbare en Hogere Functionar	26.	In principle, we agree that Solvency II rules regarding reinsurance contracts and SPVs can be used. We would suggest however that the allowance for credit risk should not be interpreted as imposing an option element within the value of the reinsurance contract, but rather as a (periodic) assessment regarding the likelihood of receiving the insurance. This means that we advise on Option 2 but with additional clarification on how to take into account the credit risk.	Agreed, option 2 selected. Possibility of simplifications added to advice and counterparty risk clarified in explanatory text
1.196.	De Unie (Vakorganisatie	26.	In principle, we agree that Solvency II rules regarding	Agreed, option 2

	voor werk, inkomen en loop		reinsurance contracts and SPVs can be used. We would suggest however that the allowance for credit risk should not be interpreted as imposing an option element within the value of the reinsurance contract, but rather as a (periodic) assessment regarding the likelihood of receiving the insurance. This means that we advise on Option 2 but with additional clarification on how to take into account the credit risk.	selected. Possibility of simplifications added to advice and counterparty risk clarified in explanatory text
1.197.	Direction Générale du Trésor, Ministère des financ	26.	We think that Art. 81 of the Solvency II directive should be applied as it is to IORPs. Moreover, the adjustment for default risk of the counterparty should be extended mutatis mutandis to all counterparties treated similarly to reinsurance (for instance: sponsor support, if and when considered on the asset side of the IORPs prudential balance sheet).	Agreed, option 2 selected
1.198.	Ecie vie	26.	We support an introduction of Article 81 of Solvency II Directive in the revised IORP Directive.	Agreed, option 2 selected
1.199.	European Association of Public Sector Pension Inst	26.	What is the view of stakeholders on the two options regarding recoverables form reinsurance contracts and special purpose vehicles as introduced by Article 81 of Solvency II? EAPSPI in general agrees with option 1: not to include Article 81 in any future IORP II but incorporate the general principle. This means that recoverables from reinsurance contracts and special purpose vehicles shall be calculated separable and adequately considering the effects of counterparty default or credit risk and account for time differences. The concrete values are subject to the individual estimation of the IORP based on experience and rating information. In EAPSPI's opinion it is important to avoid a mechanical adjustment requirement of technical provisions due to adjustments of rating in order to avoid pro-cyclical effects.	Noted

1.200.	European Federation for Retirement Provision (EFRP	26.	The EFRP prefers option 1: Article 81 should not be included in the revised IORP directive, but its principles could be beneficial. However, the allowance for credit risk should not be interpreted as imposing option elements within the value of the reinsurance contract, but rather as a (periodic) assessment regarding the likelihood of receiving the insurance.	Noted, appropriate simplifications added to advice
1.201.	European Metalworkers Federation	26.	See response question 22	Noted
1.202.	European Mine, Chemical and Energy workers' Fede	26.	See previous	Noted
1.203.	Federation of the Dutch Pension Funds	26.	In principle, we agree that Solvency II rules regarding reinsurance contracts and SPVs can be used. We would suggest however that the allowance for credit risk should not be interpreted as imposing an option element within the value of the reinsurance contract, but rather as a (periodic) assessment regarding the likelihood of receiving the insurance. This means that we advise on Option 2 but with additional clarification on how to take into account the credit risk.	Agreed, option 2 selected. Possibility of simplifications added to advice and counterparty risk clarified in explanatory text
1.204.	Financial Reporting Council	26.	We have not formed any views on the proposed options. It is rare for IORPs to use reinsurance and special purpose vehicles in the same way as insurers.	Noted
1.205.	FNMF – Fédération Nationale de la Mutualité França	26.	FNMF does not agree on valuation principles based on market value.	Noted
1.206.	FNV Bondgenoten	26.	In principle, we agree that Solvency II rules regarding reinsurance contracts and SPVs can be used. We would suggest	Agreed, option 2 selected.

			however that the allowance for credit risk should not be interpreted as imposing an option element within the value of the reinsurance contract, but rather as a (periodic) assessment regarding the likelihood of receiving the insurance. This means that we advise on Option 2 but with additional clarification on how to take into account the credit risk.	Possibility of simplifications added to advice and counterparty risk clarified in explanatory text
1.207.	Generali vie	26.	We support an introduction of Article 81 of Solvency II Directive in the revised IORP Directive.	Agreed, option 2 selected
1.208.	German Institute of Pension Actuaries (IVS\32\45\3	26.	Similar treatment of recoverables from reinsurance contracts and special purpose vehicle is useful so long as they allow for the specific characteristics of IORPs (see responses above). Furthermore, defaults and timing differences in claim adjustments when insurance coverage is awarded to reinsurers or special purpose vehicles in significant volume should be allowed for. This corresponds to current risk controlling practice which continues to apply irrespectively of any translation of Solvency II for IORPs.	Noted
1.209.	Groupe Consultatif Actuariel Européen.	26.	If technical provisions are to be shown gross (see answer to Q 20) then reinsurance recoverables could either be shown as separate offsets against technical provisions or as assets. Often the type of reinsurance may determine the most appropriate treatment.	Noted
1.210.	Groupement Français des Bancassureurs	26.	FBIA believes that an introduction of Article 81 of Solvency II in the revised IORP Directive with minor amendments in order to address IORP specificities is the most appropriate. The use of reinsurance contracts is widely spread e.g. to cover against death benefits. FBIA supports the EIOPA proposal regarding the expected losses due to default of the counterparty. In all cases the same principle should apply for retirement	Agreed, option 2 selected

			schemes provided by the insurers.	
1.211.	PMT-PME-Mn Services	26.	In principle, we agree that Solvency II rules regarding reinsurance contracts and SPVs can be used. We would suggest however that the allowance for credit risk should not be interpreted as imposing an option element within the value of the reinsurance contract, but rather as a (periodic) assessment regarding the likelihood of receiving the insurance. This means that we advise on Option 2 but with additional clarification on how to take into account the credit risk.	Agreed, option 2 selected. Possibility of simplifications added to advice and counterparty risk clarified in explanatory text
1.212.	Institute and Faculty of Actuaries (UK)	26.	These should be treated as assets.	Agreed, option 2 selected
1.213.	KPMG LLP (UK)	26.	Option 1 for the treatment of recoverables would be more appropriate.	Noted
1.214.	Le cercle des épargnants	26.	We support an introduction of Article 81 of Solvency II Directive in the revised IORP Directive.	Agreed, option 2 selected
1.216.	Mercer	26.	We agree that an amended Article 81 might have a place in the IORP Directive. In line with the holistic balance sheet, it might be appropriate for the value placed on reinsurance recoveries or the benefit of special purpose vehicles to be treated as a contingent asset, rather than a negative liability. From the members' perspective, presenting liabilities gross of any recoveries is likely to present a clearer picture, than a net calculation.	Agreed, option 2 selected
1.217.	MHP (Vakcentrale voor Middengroepen en Hoger Perso	26.	In principle, we agree that Solvency II rules regarding reinsurance contracts and SPVs can be used. We would suggest however that the allowance for credit risk should not be	Agreed, option 2 selected. Possibility of

			interpreted as imposing an option element within the value of the reinsurance contract, but rather as a (periodic) assessment regarding the likelihood of receiving the insurance. This means that we advise on Option 2 but with additional clarification on how to take into account the credit risk.	simplifications added to advice and counterparty risk clarified in explanatory text
1.219.	National Association of Pension Funds (NAPF)	26.	What is the view of stakeholders on the two options regarding recoverables from reinsurance contracts and special purpose vehicles as introduced by Article 81 of Solvency II? These provisions are specifically designed for insurers. There is no need to import them into the IORP Directive.	Noted
1.220.	Pan-European Insurance Forum (PEIF)	26.	Assuming that the Solvency II Framework Directive is the model to follow, then we support Option 2 introducing Article 81 of Solvency II in a revised IORP Directive with minor amendments in order to address specificities of IORPs. Clear and careful defined netting out should be possible to reduce complexity. The text does not cover the use of derivatives but we should note that IORPs need to carefully evaluate basis risk as part of their risk management and valuation. However, please see opening general comments. In any event, the regimes for IORPs and insurers should be consistent.	Agreed, option 2 selected
1.221.	Pensioenfonds Zorg en Welzijn (PFZW)	26.	In principle, we agree that Solvency II rules regarding reinsurance contracts and SPVs can be used. We would suggest however that the allowance for credit risk should not be interpreted as imposing an option element within the value of	Agreed, option 2 selected. Possibility of simplifications added

			the reinsurance contract, but rather as a (periodic) assessment regarding the likelihood of receiving the insurance. This means that we advise on Option 2 but with additional clarification on how to take into account the credit risk.	to advice and counterparty risk clarified in explanatory text
1.222.	Predica	26.	Predica believes that an introduction of Article 81 of Solvency II in the revised IORP Directive with minor amendments in order to address IORP specificities is the most appropriate. The use of reinsurance contracts is widely spread e.g. to cover against death benefits. Predica supports the EIOPA proposal regarding the expected losses due to default of the counterparty. In all cases the same principle should apply for retirement schemes provided by the insurers.	Agreed, option 2 selected
1.223.	prof.dr. A.A.J. Pelsser HonFIA, Netspar & Maastric	26.	Choose Option 1: Not to include Article 81	Noted
1.224.	PTK (Sweden)	26.	PTK is i favour of option 1: article 81 should not be included in the revised IORP directive, but its principles could be beneficial. However, the allowance for credit risk should not be interpreted as imposing option elements within the value of the reinsurance contract, but rather as a (periodic) assessment regarding the likelihood of receiving the insurance.	Noted, simplifications added to advice
1.225.	Railways Pension Trustee Company Limited (“RPTCL	26.	We have not considered this question.	Noted
1.226.	TCO	26.	TCO is i favour of option 1: article 81 should not be included in the revised IORP directive, but its principles could be beneficial. However, the allowance for credit risk should not be interpreted as imposing option elements within the value of the reinsurance	Noted, simplifications added to advice

			contract, but rather as a (periodic) assessment regarding the likelihood of receiving the insurance.	
1.227.	The Association of Pension Foundations (Finland)	26.	We are in favour of 1. option – not to include article 81 to IORP.	Noted
1.228.	The Association of the Luxembourg Fund Industry (A	26.	The Respondents prefer option 1: article 81 should not be included in the revised IORP directive, but its principles could be beneficial. However, the allowance for credit risk should not be interpreted as imposing option elements within the value of the reinsurance contract, but rather as a (periodic) assessment regarding the likelihood of receiving the insurance.	Noted, simplifications added to advice
1.229.	The Society of Actuaries in Ireland	26.	No strong opinion	Noted
1.230.	Towers Watson Deutschland GmbH	26.	We prefer option 1 as to the treatment of recoverables from reinsurance contracts and special purpose vehicles.	Noted
1.231.	Transport for London / TfL Pension Fund	26.	As the two options concern provisions which are specific to insurers, we do not believe they should be included in the IORP Directive.	Noted
1.232.	UK Association of Pension Lawyers	26.	CfA 5 (Valuation of assets, liabilities and technical provisions): What is the view of stakeholders on the two options regarding recoverables from reinsurance contracts and special purpose vehicles as introduced by Article 81 of Solvency II? We do not support the core premise of adapting Solvency II for the generality of IORPs or re-legislating for IORPs by reference to the single market or a level playing field with insurance companies without reference to whether the IORPs actually or	Noted

			potentially “act in a manner similar to insurance companies” or are genuinely and meaningfully competing or operating in the same market as insurance companies. See the general comments we make in relation to question 38 below. We have nonetheless provided a comment in response to the specific question raised here, in the interests of providing EIOPA with a UK technical legal perspective on this matter, but (to emphasise a point made in raised in part (2) of our general comments at the beginning of this document) our having commented on this question should not be interpreted as our having given explicit or implicit support to the proposition of applying Solvency II to the generality of IORPs. Furthermore, this comment can only be viewed as an initial thought in the absence of further consultation on the potential economic effects of Solvency II (see the concerns raised in part (3) of our general comments at the beginning of this document), and indeed in the absence of an opportunity to carry out a more detailed technical analysis of the proposals under consideration and of the likely practical consequences of implementing them (see the comments made in the last paragraph of part (1) of our general comments at the beginning of this document). With those important qualifications in mind, our comment in response to this specific question is that Option 1 (not to include Article 81 but incorporate its principles in the calculation of technical provisions) is the most appropriate out of the two options, but we must note that both options are not necessary given the lesser importance of this in relation to IORPs.	
1.233.	UNI Europa	26.	See question 22	Noted
1.234.	Universities Superannuation Scheme (USS),	26.	What is the view of stakeholders on the two options regarding recoverables from reinsurance contracts and special purpose vehicles as introduced by Article 81 of Solvency II?	

1.235.	Verband der Firmenpensionskassen (VFPK) e.V.	26.	This represents current actuarial practice and is valid irrespective of Solvency II`s applicability.	Agreed, option 2 selected
1.236.	Verbond van Verzekeraars	26.	We agree with the principle that reinsurance recoverables should be recognised similar to Solvency II. However, when valuing the reinsurance recoverable, an adjustment has to be taken into account with respect to the "probability of default". Under Solvency II the probability of default is largely dependent on the rating of a counterparty. In order to avoid another systemic risk we would support for this "probability of default" variable an approach which would rely less on the rating but more heavily on the solvency ratio of the counterparty. Under Solvency II an approach is allowed that if a counterparty is subject to a prudential supervisory regime such as Solvency II or CRD, the solvency ratio could act as a determining value for the "probability of default".	Agreed, option 2 selected Possibility of solvency ratios added to explanatory text
1.237.	VHP2 (Vakorganisatie voor middelbaar en hoger pers	26.	In principle, we agree that Solvency II rules regarding reinsurance contracts and SPVs can be used. We would suggest however that the allowance for credit risk should not be interpreted as imposing an option element within the value of the reinsurance contract, but rather as a (periodic) assessment regarding the likelihood of receiving the insurance. This means that we advise on Option 2 but with additional clarification on how to take into account the credit risk.	Agreed, option 2 selected. Possibility of simplifications added to advice and counterparty risk clarified in explanatory text
1.238.	Whitbread Group PLC	26.	We see no reason for change to the current regulatory regime for UK pension schemes, which provides strong protection for member's pension benefits	Noted

1.239.	Zusatzversorgungskasse des Baugewerbes AG	26.	We support option 1.	Noted
1.240.	Towers Watson	26.	27. What is the view of stakeholders on the two options regarding recoverables form reinsurance contracts and special purpose vehicles as introduced by Article 81 of Solvency II? Given the relatively limited use of such vehicles by UK IORPs, we believe that it would not be proportionate to introduce further detailed requirements regarding their valuation. As they are assets of the IORP, they would be subject to the requirement to value them on a market-consistent basis. A market-consistent basis would take into account the nature and the timing of the expected recoveries from such vehicles, and associated risks such as counter-party default risk. We therefore prefer option 1.	Noted
1.241.	OPSG (EIOPA Occupational Pensions Stakeholder Group)	27.	See question 13	Noted
1.242.	AbA Arbeitsgemeinschaft für betriebliche Altersver	27.	The IOPR has a duty to ensure that data quality is of a high standard. These days, approximations are not widely used, however, they may be necessary in particular instances when benefit structures are complex or the available data is inadequate.	Noted
1.243.	ABVAKABO FNV	27.	Yes, we agree it would be useful to introduce an Article regarding the availability of data and the use of approximations in the calculation of technical provisions	Noted
1.244.	AEIP	27.	AEIP agrees with this proposal.	Noted
1.245.	AFPEN (France)	27.	AFPEN agrees that it is useful to have an Article regarding the availability of data and the use of approximations in the calculation of technical provisions. But AFPEN also wants to stress that the adequate use of data processing is well-	Noted

			established and already characterizes the reality of the calculation of technical provisions within IORPs. Such a procedure is not restricted to a Solvency-II-like regulation structure.	
1.247.	AMICE	27.	AMICE thinks that an insertion of Article 82 of Solvency II with appropriate amendments into the new IORP Directive would be useful- especially for small and medium-size players	Noted
1.248.	AMONIS OFP	27.	Do stakeholders agree that it would be useful to introduce Article 82 of Solvency II with appropriate amendments into a revised IORP Directive regarding the availability of data and the use of approximations in the calculation of technical provisions? Yes, AMONIS OFP agrees it would be useful to have an Article regarding the availability of data and the use of approximations in the calculation of technical provisions. But since this is already covered by the current IORP Directive, AMONIS OFP believes that it is not necessary to introduce article 82 of the Solvency II directive into the IORP directive.	Noted
1.249.	ANIA – Association of Italian Insurers	27.	The ANIA fully agrees with EIOPA's view of introducing Article 82 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive.	Noted
1.250.	Association of British Insurers	27.	The ABI agrees with EIOPA's view of introducing the amended Article 82 of the Solvency II Directive.	Noted
1.251.	Association of Consulting Actuaries (UK)	27.	Yes	Noted
1.252.	Association of French Insurers (FFSA)	27.	44. The FFSA fully agrees with EIOPA's view of introducing Article 82 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive. In all cases the same principle should apply for retirement	Noted

			schemes provided by the insurers.	
1.253.	Association of Pensioneer Trustees in Ireland	27.	See response to question 12.	Noted
1.254.	Assoprevidenza – Italian Association for supplemen	27.	We agree with this proposal	Noted
1.255.	Assuralia	27.	Cfr. Q. 12 The extremely short delay for responding to the technical consultation document has forced the members of Assuralia to prioritize and to focus on a number of questions. Our lack of response to this question must not be regarded as a lack of interest or opinion.	Noted
1.256.	Belgian Association of Pension Institutions (BVPI-	27.	Do stakeholders agree that it would be useful to introduce Article 82 of Solvency II with appropriate amendments into a revised IORP Directive regarding the availability of data and the use of approximations in the calculation of technical provisions? Yes, BVPI-ABIP agrees it would be useful to have an Article regarding the availability of data and the use of approximations in the calculation of technical provisions. But since this is already covered by the current IORP Directive, BVPI-ABIP believes that it is not necessary to introduce article 82 of the Solvency II directive into the IORP directive.	Noted
1.257.	BNP Paribas Cardif	27.	BNP Paribas Cardif fully agrees with EIOPA's view of introducing Article 82 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive. In all cases the same principle should apply for retirement	Noted

			schemes provided by the insurers.	
1.258.	Bosch Pensionsfonds AG	27.	See under “General comment”: “Sui generis” supervisory system for IORPs.	Noted
1.259.	Bosch-Group	27.	See under “General comment”: “Sui generis” supervisory system for IORPs.	Noted
1.260.	BT Group plc	27.	Do stakeholders agree that it would be useful to introduce Article 82 of Solvency II with appropriate amendments into a revised IORP Directive regarding the availability of data and the use of approximations in the calculation of technical provisions? We see no issues with introducing this approach.	Noted
1.261.	BT Pension Scheme Management Ltd	27.	Yes, we agree and support this uncontroversial proposal.	Noted
1.262.	CEA	27.	The CEA fully agrees with EIOPA’s view of introducing Article 82 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive.	Noted
1.263.	Charles CRONIN	27.	Yes, I agree that it would be useful to introduce Article 82 from the Solvency Directive into the new IORP Directive. Article 82 recognises the use of approximations in the calculation of best estimates, which is consistent with the current Article 15. Substituting Article 15 with Article 82 would promote consistency across the Insurance and IORP Directives.	Noted
1.264.	Chris Barnard	27.	I agree that introducing Article 82 of Solvency II into a revised IORP Directive would be useful, and consistent with basic valuation and risk management principles, and it would be more complete compared with the existing requirements under Article 15 of the IORP Directive.	Noted

1.265.	CMHF (Centrale van Middelbare en Hogere Functionar	27.	Yes, we agree it would be useful to introduce an Article regarding the availability of data and the use of approximations in the calculation of technical provisions	Noted
1.266.	De Unie (Vakorganisatie voor werk, inkomen en loop	27.	Yes, we agree it would be useful to introduce an Article regarding the availability of data and the use of approximations in the calculation of technical provisions	Noted
1.267.	Direction Générale du Trésor, Ministère des financ	27.	Yes we agree.	Noted
1.268.	Ecie vie	27.	We support an introduction of Article 82 of Solvency II Directive in the revised IORP Directive.	Noted
1.269.	European Association of Public Sector Pension Inst	27.	Do stakeholders agree that it would be useful to introduce Article 82 of Solvency II with appropriate amendments into a revised IORP Directive regarding the availability of data and the use of approximations in the calculation of technical provisions? EAPSPI agrees that it is useful to have an Article regarding the availability of data and the use of approximations in the calculation of technical provisions. But EAPSPI also wants to stress that the adequate use of data processing is well-established and already characterizes the reality of the calculation of technical provisions within IORPs. Such a procedure is not restricted to a Solvency-II-like regulatory structure.	Noted
1.270.	European Federation for Retirement Provision (EFRP	27.	Yes, the EFRP agrees that the IORP Directive should cover the availability of data and the use of approximations in the calculation of technical provisions. Since this is already covered	Noted

			by the current IORP Directive, the EFRP believes that it is not necessary to revise this Article.	
1.271.	European Metalworkers Federation	27.	See response question 22	Noted
1.272.	European Mine, Chemical and Energy workers' Fede	27.	See previous	Noted
1.273.	Federation of the Dutch Pension Funds	27.	Yes, we agree it would be useful to introduce an Article regarding the availability of data and the use of approximations in the calculation of technical provisions	Noted
1.274.	Financial Reporting Council	27.	We consider that IORPS should be required to ensure that the data used in calculating technical provisions is sufficiently accurate, relevant and complete to ensure that users can have confidence in the reliability of amount of the technical provisions. However, we consider that Article 82 is disproportionate in its requirements for data accuracy. We consider that proportionality should be allowed for explicitly in such a requirement. The Technical Actuarial Standards produced by the FRC's Board for Actuarial Standards for the calculation of technical provisions for UK pension schemes requires only that practitioners should be able to determine the extent to which, taken overall, the data is sufficiently accurate, relevant and complete for the user (scheme managers) to rely on the information (the technical provisions).	Noted, proportionality added to advice
1.275.	FNMF – Fédération Nationale de la Mutualité França	27.	FNMF does not agree on valuation principles based on market value.	Noted
1.276.	FNV Bondgenoten	27.	Yes, we agree it would be useful to introduce an Article regarding the availability of data and the use of approximations in the calculation of technical provisions	Noted

1.277.	Generali vie	27.	We support an introduction of Article 82 of Solvency II Directive in the revised IORP Directive.	Noted
1.278.	German Institute of Pension Actuaries (IVS\32\45\3	27.	We agree. The quality of data has always been an important prerequisite for an actuarial valuation of an IORP's technical reserves. The use of approximations or individual case analyses should continue to be performed where considered reasonable. An escape clause would be useful. This corresponds to current methods which continue to apply irrespective of any translation of Solvency II for IORPs.	Noted
1.279.	Groupe Consultatif Actuariel Européen.	27.	Yes, subject to materiality.	Noted, materiality and proportionality added
1.280.	Groupement Français des Bancassureurs	27.	FBIA fully agrees with EIOPA's view of introducing Article 82 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive. In all cases the same principle should apply for retirement schemes provided by the insurers.	Noted
1.281.	PMT-PME-Mn Services	27.	Yes, we agree it would be useful to introduce an Article regarding the availability of data and the use of approximations in the calculation of technical provisions	Noted
1.282.	HM Treasury/Department for Work and Pensions	27.	Allowing use of approximations where data is not available is a common-sense approach that should not need to be legislated for, and is therefore an indicator of the downsides of maximum harmonisation and a further reason to avoid unnecessary change.	Noted

1.283.	Institute and Faculty of Actuaries (UK)	27.	Yes, this is sensible.	Noted
1.284.	KPMG LLP (UK)	27.	No comment.	
1.285.	Le cercle des épargnants	27.	We support an introduction of Article 82 of Solvency II Directive in the revised IORP Directive.	Noted
1.287.	Mercer	27.	Yes, except it should be recognised that it is not possible to have accurate data at all times, so this requirement should be implemented proportionately. There will often be a lag between an event happening and the scheme being notified and, in the case of deferred members, it is sometimes difficult to be sure that up to date addresses have been notified.	Noted, proportionality added to advice
1.288.	MHP (Vakcentrale voor Middengroepen en Hoger Perso	27.	Yes, we agree it would be useful to introduce an Article regarding the availability of data and the use of approximations in the calculation of technical provisions	Noted
1.290.	National Association of Pension Funds (NAPF)	27.	Do stakeholders agree that it would be useful to introduce Article 82 of Solvency II with appropriate amendments into a revised IORP Directive regarding the availability of data and the use of approximations in the calculation of technical provisions? The NAPF would agree with the comment in para 9.3.157: this is already covered by the requirements of the current Article 15 for certification by an actuary in line with national level standards. The point is also covered by the Prudent Person Principle – a key element of the UK's Pensions Act 1995.	Noted

1.291.	Pan-European Insurance Forum (PEIF)	27.	Assuming that the Solvency II Framework Directive is the model to follow, then we support EIOPA' view on Article 82. However, please see opening general comments. In any event, the regimes for IORPs and insurers should be consistent.	Noted
1.292.	Pensioenfonds Zorg en Welzijn (PFZW)	27.	Yes, we agree it would be useful to introduce an Article regarding the availability of data and the use of approximations in the calculation of technical provisions	Noted
1.293.	Predica	27.	Predica fully agrees with EIOPA's view of introducing Article 82 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive. In all cases the same principle should apply for retirement schemes provided by the insurers.	Noted
1.294.	prof.dr. A.A.J. Pelsser HonFIA, Netspar & Maastric	27.	Agree	Noted
1.295.	PTK (Sweden)	27.	PTK agrees it would be useful to introduce an Article regarding the availability of data and the use of approximations in the calculation of technical provisions. Since this is already covered by the current IORP Directive, PTK believes that it is not necessary to revise this article.	Noted
1.296.	Railways Pension Trustee Company Limited ("RPTCL	27.	We have not considered this question.	Noted

1.297.	TCO	27.	TCO agrees it would be useful to introduce an Article regarding the availability of data and the use of approximations in the calculation of technical provisions. Since this is already covered by the current IORP Directive, TCO believes that it is not necessary to revise this article.	Noted
1.298.	The Association of the Luxembourg Fund Industry (A	27.	The Respondents would like to emphasize that the proportionality principle has to be applied. We are in favour of use of exact data in the case of small pension funds.	Noted, proportionality added to advice
1.299.	The Society of Actuaries in Ireland	27.	No strong opinion	Noted
1.300.	Towers Watson Deutschland GmbH	27.	We agree. The quality of data has always been an important prerequisite for an actuarial valuation of an IORPs technical reserves. The use of approximations or individual case analyses should continue to be performed where considered reasonable. An escape clause would be useful. This corresponds to methods currently in operation in Germany.	Noted, proportionality added to advice
1.301.	Trades Union Congress (TUC)	27.	Do stakeholders agree that it would be useful to introduce Article 82 of Solvency II with appropriate amendments into a revised IORP Directive regarding the availability of data and the use of approximations in the calculation of technical provisions? This is already covered by Article 15 of the IORP Directive. There are already national actuarial standards for pension schemes which must be adhered to.	Noted

1.302.	Transport for London / TfL Pension Fund	27.	The current Article 15 for certification by an actuary in line with national standards already covers this point satisfactorily and therefore importing Article 82 of Solvency II is unnecessary.	Noted
1.303.	UNI Europa	27.	See question 22	Noted
1.304.	Universities Superannuation Scheme (USS),	27.	Do stakeholders agree that it would be useful to introduce Article 82 of Solvency II with appropriate amendments into a revised IORP Directive regarding the availability of data and the use of approximations in the calculation of technical provisions?	
1.305.	Verband der Firmenpensionskassen (VFPK) e.V.	27.	This fact corresponds with current actuarial methods and is valid irrespective of Solvency II`s applicability.	Noted
1.306.	VHP2 (Vakorganisatie voor middelbaar en hoger pers	27.	Yes, we agree it would be useful to introduce an Article regarding the availability of data and the use of approximations in the calculation of technical provisions	Noted
1.307.	Whitbread Group PLC	27.	We see no reason for change to the current regulatory regime for UK pension schemes, which provides strong protection for member's pension benefits	Noted
1.308.	Zusatzversorgungskasse des Baugewerbes AG	27.	We agree.	Noted
1.309.	Towers Watson	27.	28. Do stakeholders agree that it would be useful to introduce Article 82 of Solvency II with appropriate amendments into a revised IORP Directive regarding the availability of data and the use of approximations in the calculation of technical provisions? We agree with the principles of Article 82, and believe these principles are currently being followed by UK IORPs.	Noted

1.310.	OPSG (EIOPA Occupational Pensions Stakeholder Group)	28.	See question 13	Noted
1.311.	AbA Arbeitsgemeinschaft für betriebliche Altersver	28.	It is a core responsibility of the Appointed Actuary to regularly compare actual and expected experience factors and make relevant adjustments when necessary. This represents current practice and does not need separate regulation.	Noted
1.312.	ABVAKABO FNV	28.	Yes, we agree that an Article is useful regarding the comparison of technical provisions against experience, with appropriate adjustments.	Noted
1.313.	AEIP	28.	AEIP agrees with this proposal.	Noted
1.314.	AFPEN (France)	28.	AFPEN agrees. But again, this is already well-established and not restricted to a Solvency-II-like regulation structure.	Noted
1.316.	AMICE	28.	AMICE is favourable to the insertion of Articles 83 of the Solvency II Directive into the revised IORP Directive.	Noted
1.317.	AMONIS OFP	28.	Do stakeholders believe that it would be useful to introduce Article 83 of Solvency II with appropriate amendments into a revised IORP Directive regarding the need for assumptions to calculate technical provisions to be regularly compared against experience and adjustments made when appropriate? Yes, AMONIS OFP agrees that an Article is useful regarding the comparison of technical provisions against experience, with appropriate adjustments. AMONIS OFP wishes however to underline the need or proportionality and to avoid an excessive administrative burden. Since this is already covered by the current IORP Directive and it is therefore not necessary to revise this article.	Noted, proportionality added to advice
1.318.	ANIA – Association of	28.	The ANIA believes that introducing Article 82 of the Solvency II	Noted

	Italian Insurers		Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive is necessary. According to the ANIA, comparison of the assumptions against experience should always take place on a regular basis. As such, the ANIA sees no argument why this article should not be applicable to IORPs	
1.319.	Association of British Insurers	28.	The ABI agrees with EIOPA's view of introducing the amended Article 83 of the Solvency II Directive as long as the principle of proportionality would apply.	Noted, proportionality added to advice
1.320.	Association of Consulting Actuaries (UK)	28.	Yes as a measure of the effect of experience diverging from actuarial assumptions, and as information that may be relevant for adjusting future actuarial assumptions. However proportionality is key here, with, for example, little point in detailed mortality analysis where, because of the size of the IORP, no credible conclusions can be drawn from this analysis.	Noted, proportionality added to advice
1.321.	Association of French Insurers (FFSA)	28.	45. The FFSA agrees that introducing Article 83 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive is necessary. There no reason why this article should not be applicable to IORPs. In all cases the same principle should apply for retirement schemes provided by the insurers.	Noted
1.322.	Association of Pensioneer Trustees in Ireland	28.	See response to question 12.	Noted
1.323.	Assoprevidenza – Italian Association for supplemen	28.	We agree with this proposal	Noted
1.324.	Assuralia	28.	Cfr. Q. 12	

			The extremely short delay for responding to the technical consultation document has forced the members of Assuralia to prioritize and to focus on a number of questions. Our lack of response to this question must not be regarded as a lack of interest or opinion.	
1.325.	Belgian Association of Pension Institutions (BVPI-	28.	Do stakeholders believe that it would be useful to introduce Article 83 of Solvency II with appropriate amendments into a revised IORP Directive regarding the need for assumptions to calculate technical provisions to be regularly compared against experience and adjustments made when appropriate? Yes, BVPI-ABIP agrees that an Article is useful regarding the comparison of technical provisions against experience, with appropriate adjustments. BVPI-ABIP wishes however to underline the need or proportionality and to avoid an excessive administrative burden. Since this is already covered by the current IORP Directive and it is therefore not necessary to revise this article.	Noted, proportionality added to advice
1.326.	BNP Paribas Cardif	28.	BNP Paribas Cardif agrees that introducing Article 83 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive is necessary. There no reason why this article should not be applicable to IORPs. In all cases the same principle should apply for retirement schemes provided by the insurers.	Noted
1.327.	Bosch Pensionsfonds AG	28.	See under “General comment”: “Sui generis” supervisory system	Noted

			for IORPs.	
1.328.	Bosch-Group	28.	See under “General comment”: “Sui generis” supervisory system for IORPs.	Noted
1.329.	BT Group plc	28.	Do stakeholders believe that it would be useful to introduce Article 83 of Solvency II with appropriate amendments into a revised IORP Directive regarding the need for assumptions to calculate technical provisions to be regularly compared against experience and adjustments made when appropriate? We see no issues with introducing this approach.	Noted
1.330.	BT Pension Scheme Management Ltd	28.	Yes, we agree and support this uncontroversial proposal, provided that it includes the appropriate level of proportionality.	Noted, proportionality added to advice
1.331.	CEA	28.	The CEA believes that introducing Article 82 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive is necessary. According to the CEA, comparison of the assumptions against experience should always take place on a regular basis. As such, the CEA sees no argument why this article should not be applicable to IORPs.	Noted
1.332.	Charles CRONIN	28.	Yes, I agree that it would be appropriate to introduce Article 83 from the Solvency Directive into the new IORP Directive. The Article recognises the value of comparing assumptions with experience in the calculation of technical provisions. Insertion of the Article would be an act of common sense.	Noted
1.333.	Chris Barnard	28.	I would strongly support the introduction of Article 83 of Solvency II into a revised IORP Directive. Experience analyses and analysis of movement and variances is a critical part of understanding and managing the assumptions as part of an actuarial control cycle.	Noted

1.334.	CMHF (Centrale van Middelbare en Hogere Functionar	28.	Yes, we agree that an Article is useful regarding the comparison of technical provisions against experience, with appropriate adjustments.	Noted
1.335.	De Unie (Vakorganisatie voor werk, inkomen en loop	28.	Yes, we agree that an Article is useful regarding the comparison of technical provisions against experience, with appropriate adjustments.	Noted
1.336.	Direction Générale du Trésor, Ministère des financ	28.	Yes we agree.	Noted
1.337.	Ecie vie	28.	We support an introduction of Article 83 of Solvency II Directive in the revised IORP Directive.	Noted
1.338.	European Association of Public Sector Pension Inst	28.	Do stakeholders believe that it would be useful to introduce Article 83 of Solvency II with appropriate amendments into a revised IORP Directive regarding the need for assumptions to calculate technical provisions to be regularly compared against experience and adjustments made when appropriate? Yes, EAPSPI agrees. But this is already well-established and not restricted to a Solvency-II-like regulatory structure.	Noted
1.339.	European Federation for Retirement Provision (EFRP	28.	Yes, the EFRP agrees that the IORP Directive should cover the comparison of technical provisions against experience, with appropriate adjustments. Since this is already covered by the current IORP Directive and it is therefore not necessary to revise this Article.	Noted
1.340.	European Metalworkers Federation	28.	See response question 22	Noted

1.341.	European Mine, Chemical and Energy workers' Fede	28.	See previous	Noted
1.342.	Federation of the Dutch Pension Funds	28.	Yes, we agree that an Article is useful regarding the comparison of technical provisions against experience, with appropriate adjustments.	Noted
1.343.	Financial Reporting Council	28.	We agree with the principle that the best estimates of the cash flows used in calculating the technical provisions and the assumptions underlying their calculation should be checked against experience from time to time. However, we consider that the requirement for proportionate application of this principle should be made more explicit. It should be recognised that for the many smaller IORPs the comparison might not be statistically meaningful making identification of systemic deviations difficult.	Noted, proportionality added to advice
1.344.	FNMF – Fédération Nationale de la Mutualité Françą	28.	FNMF does not agree on valuation principles based on market value.	Noted
1.345.	FNV Bondgenoten	28.	Yes, we agree that an Article is useful regarding the comparison of technical provisions against experience, with appropriate adjustments.	Noted
1.346.	Generali vie	28.	We support an introduction of Article 83 of Solvency II Directive in the revised IORP Directive.	Noted
1.347.	German Institute of Pension Actuaries (IVS\32\45\3	28.	Yes. It is indeed useful to regularly compare best estimate assumptions against experience. This corresponds to current practice which continues to apply irrespective of any translation of Solvency II for IORPs.	Noted
1.348.	Groupe Consultatif	28.	Yes, subject to practical constraints.	Noted, proportionality

	Actuariel Européen.			added to advice
1.349.	Groupement Français des Bancassureurs	28.	FBIA agrees that introducing Article 83 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive is necessary. There no reason why this article should not be applicable to IORPs. In all cases the same principle should apply for retirement schemes provided by the insurers.	Noted
1.350.	PMT-PME-Mn Services	28.	Yes, we agree that an Article is useful regarding the comparison of technical provisions against experience, with appropriate adjustments.	Noted
1.351.	HM Treasury/Department for Work and Pensions	28.	As with Q27, requiring regular comparison against experience is again a common-sense approach that should not need to be legislated for.	Noted
1.352.	Institute and Faculty of Actuaries (UK)	28.	This is one of the areas where we believe it is important that proportionality is considered. We hope EIOPA is able to consult on these proposals again once it is clearer how proportionality will be interpreted.	Noted, proportionality added to advice
1.353.	KPMG LLP (UK)	28.	This would be appropriate, if applied in a proportionate manner.	Noted, proportionality added to advice
1.354.	Le cercle des épargnants	28.	We support an introduction of Article 83 of Solvency II Directive in the revised IORP Directive.	Noted
1.355.	Macfarlanes LLP	28.	(CfA 5 Valuation of assets, liabilities and technical provisions) Do stakeholders believe that it would be useful to introduce Article 83 of Solvency II with appropriate amendments into a revised IORP Directive regarding the need for assumptions to calculate technical provisions to be regularly compared against experience	Note

			and adjustments made when appropriate? No. It would not be helpful to introduce Article 83 of Solvency II with amendments; such judgements should be left to the scheme actuary.	
1.357.	Mercer	28.	We agree that this principle would be appropriate for an IORP, if applied proportionately. However, as drafted it could introduce a logical inconsistency. The proposal is that technical provisions should be calculated using a risk free discount rate, but Article 82 would require schemes to disclose where assumptions have not accorded with experience and amend them appropriately. Where schemes invest in risk seeking assets, this would require schemes to move to a risk related basis for technical provisions, which the IORP Directive might forbid.	Noted, proportionality added to advice
1.358.	MHP (Vakcentrale voor Middengroepen en Hoger Perso	28.	Yes, we agree that an Article is useful regarding the comparison of technical provisions against experience, with appropriate adjustments.	Noted
1.360.	National Association of Pension Funds (NAPF)	28.	Do stakeholders believe that it would be useful to introduce Article 83 of Solvency II with appropriate amendments into a revised IORP Directive regarding the need for assumptions to calculate technical provisions to be regularly compared against experience and adjustments made when appropriate? Again, Article 15 already covers this issue. The proposed insertion of Article 83 from Solvency II would deliver no practical extra benefit.	Noted

1.361.	OECD Secretariat to the Working Party on Private P	28.	Do stakeholders believe that it would be useful to introduce Article 83 of Solvency II with appropriate amendments into a revised IORP Directive regarding the need for assumptions to calculate technical provisions to be regularly compared against experience and adjustments made when appropriate? Many IORP's are too small to have plan specific demographic assumptions and, with the help of their actuaries and auditors, use demographic assumptions based on industry or country averages or approximations made by their actuaries. It is unclear whether the requirement for regular experience study reviews would be appropriate or reliable for small and medium-sized IORP's. For a further discussion, see the IOPS Principles of Private Pension Supervision, Principle 6 on Proportionality and Consistency (http://www.oecd.org/dataoecd/51/9/44495715.pdf).	Noted, proportionality added to advice
1.362.	Pan-European Insurance Forum (PEIF)	28.	Assuming that the Solvency II Framework Directive is the model to follow, then we support EIOPA' view. However, please see opening general comments. In any event, the regimes for IORPs and insurers should be consistent.	Noted
1.363.	Pensioenfonds Zorg en Welzijn (PFZW)	28.	Yes, we agree that an Article is useful regarding the comparison of technical provisions against experience, with appropriate	Noted

			adjustments.	
1.364.	Predica	28.	Predica agrees that introducing Article 83 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive is necessary. There no reason why this article should not be applicable to IORPs. In all cases the same principle should apply for retirement schemes provided by the insurers.	Noted
1.365.	prof.dr. A.A.J. Pelsser HonFIA, Netspar & Maastric	28.	Agree	Noted
1.366.	PTK (Sweden)	28.	PTK agrees that an Article is useful regarding the comparison of technical provisions against experience, with appropriate adjustments. This is already covered by the current IORP Directive and it is therefore not necessary to revise this article.	Noted
1.367.	Railways Pension Trustee Company Limited ("RPTCL	28.	We have not considered this question.	
1.368.	TCO	28.	TCO agrees that an Article is useful regarding the comparison of technical provisions against experience, with appropriate adjustments. This is already covered by the current IORP Directive and it is therefore not necessary to revise this article.	Noted
1.369.	The Association of Pension Foundations (Finland)	28.	Proportionality should be taken in consideration.	Noted, proportionality added to advice
1.370.	The Association of the Luxembourg Fund	28.	The Respondents would like to emphasize that the proportionality principle has to be applied. For smaller funds,	Noted, proportionality added to advice

	Industry (A		their own experience may not necessarily be sufficiently significant to use it as a basis for valuation.	
1.371.	The Society of Actuaries in Ireland	28.	No strong opinion	Noted
1.372.	Towers Watson Deutschland GmbH	28.	Yes. It is indeed useful to regularly compare best estimate assumptions against experience. This corresponds to current practice in Germany.	Noted
1.373.	Transport for London / TfL Pension Fund	28.	The current Article 15 already covers the issue and the introduction of Article 83 of Solvency II is unnecessary.	Noted
1.374.	UK Association of Pension Lawyers	28.	CfA 5 (Valuation of assets, liabilities and technical provisions): Do stakeholders believe that it would be useful to introduce Article 83 of Solvency II with appropriate amendments into a revised IORP Directive regarding the need for assumptions to calculate technical provisions to be regularly compared against experience and adjustments made when appropriate? We do not support the core premise of adapting Solvency II for the generality of IORPs or re-legislating for IORPs by reference to the single market or a level playing field with insurance companies without reference to whether the IORPs actually or potentially "act in a manner similar to insurance companies" or are genuinely and meaningfully competing or operating in the same market as insurance companies. See the general comments we make in relation to question 38 below. We have nonetheless provided a comment in response to the specific question raised here, in the interests of providing EIOPA with a UK technical legal perspective on this matter, but (to emphasise a point made in raised in part (2) of our general comments at the beginning of this document) our having commented on this	Noted, proportionality added to advice

			question should not be interpreted as our having given explicit or implicit support to the proposition of applying Solvency II to the generality of IORPs. Furthermore, this comment can only be viewed as an initial thought in the absence of further consultation on the potential economic effects of Solvency II (see the concerns raised in part (3) of our general comments at the beginning of this document), and indeed in the absence of an opportunity to carry out a more detailed technical analysis of the proposals under consideration and of the likely practical consequences of implementing them (see the comments made in the last paragraph of part (1) of our general comments at the beginning of this document). With those important qualifications in mind, our comment in response to this specific question is that we do not think it makes sense to require IORPs to consider specific experience and adjust for it. While large IORPs will do this, many IORPs are too small for their own experience to be statistically significant – a small number of deaths could have a big impact on a small IORP's liabilities, but is unlikely to be representative of its future position. It makes sense for small schemes to base their arrangements on mortality experience in general rather than their own.	
1.375.	UNI Europa	28.	See question 22	Noted
1.376.	Universities Superannuation Scheme (USS),	28.	Do stakeholders believe that it would be useful to introduce Article 83 of Solvency II with appropriate amendments into a revised IORP Directive regarding the need for assumptions to calculate technical provisions to be regularly compared against experience and adjustments made when appropriate? Article 15 already covers this issue. The proposed insertion of	Noted

			Article 83 from Solvency II would deliver no practical extra benefit.	
1.377.	Verband der Firmenpensionskassen (VFPK) e.V.	28.	We welcome the fact that the best estimate value and the applied assumptions are regularly checked against the empirical value. This represents current actuarial practice and is valid irrespective of Solvency II`s applicability.	Noted
1.378.	VHP2 (Vakorganisatie voor middelbaar en hoger pers	28.	Yes, we agree that an Article is useful regarding the comparison of technical provisions against experience, with appropriate adjustments.	Noted
1.379.	Whitbread Group PLC	28.	We see no reason for change to the current regulatory regime for UK pension schemes, which provides strong protection for member's pension benefits	Noted
1.380.	Zusatzversorgungskasse des Baugewerbes AG	28.	We agree.	Noted
1.381.	Towers Watson	28.	29. Do stakeholders believe that it would be useful to introduce Article 83 of Solvency II with appropriate amendments into a revised IORP Directive regarding the need for assumptions to calculate technical provisions to be regularly compared against experience and adjustments made when appropriate? We agree this is reasonable, provided that proportionality is enshrined for IORPs, so that the processes required of IORPs are consistent with the benefit likely to be obtained by carrying them out. The relevance of comparing experience with assumptions for many IORPs is limited by the modest amount of experience data they have available.	Noted, proportionality added to advice
1.382.	OPSG (EIOPA	29.	See question 13	Noted

	Occupational Pensions Stakeholder Group)			
1.383.	AbA Arbeitsgemeinschaft für betriebliche Altersver	29.	It is reasonable to require IORPs to demonstrate to the supervisor on request the appropriateness of the level of technical provisions.	Noted
1.384.	ABVAKABO FNV	29.	Yes, we agree it is useful to add an Article regarding the need for IORPs to demonstrate to the supervisor on request the appropriateness of the level of technical provisions	Noted
1.385.	AEIP	29.	AEIP agrees with this proposal.	Noted
1.386.	AFPEN (France)	29.	AFPEN agrees that the adequateness of the amount of technical provisions as well as the methods and assumptions for its calculations are disclosed on request from the supervisory. By means of the national supervisory review of amount and calculation of technical provisions a greater variety and diversification of methods and internal models can be enabled. Again, this is already well-established and not restricted to a Solvency-II-like regulation structure.	Noted
1.388.	AMICE	29.	AMICE is favourable to the insertion of Article 84 of the Solvency II Directive into the revised IORP Directive.	Noted
1.389.	AMONIS OFP	29.	Do stakeholders agree that it would be useful to introduce Article 84 of Solvency II with appropriate amendments into a revised IORP Directive regarding the need for IORPs to demonstrate to the supervisor on request the appropriateness of the level of technical provisions? Yes, AMONIS OFP agrees it is useful to have an Article regarding the need for IORPs to demonstrate to the supervisor on request the appropriateness of the level of technical provisions. AMONIS OFP wishes however to underline the need or proportionality and to avoid an excessive administrative burden. Since this is	Noted, proportionality added to advice. Administrative burden added as negative impact

			already covered by the current IORP Directive AMONIS OFP believes that it is not necessary to revise this article	
1.390.	ANIA – Association of Italian Insurers	29.	The ANIA fully agrees with EIOPA's view of introducing Article 84 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive to demonstrate to the supervisor on request, the appropriateness of the level of their technical provisions and the applicability of the methods used. This will also lead to less interpretation than the Article 14 of the current Directive in this regard.	Noted
1.391.	Association of British Insurers	29.	The ABI agrees with EIOPA's view of introducing the amended Article 84 of the Solvency II Directive.	Noted
1.392.	Association of Consulting Actuaries (UK)	29.	Yes, subject to the overriding requirement for implementation of the rules to be proportionate.	Noted, proportionality added to advice
1.393.	Association of French Insurers (FFSA)	29.	46. The FFSA fully agrees with EIOPA's view of introducing Article 84 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive to demonstrate to the supervisor on request, the appropriateness of the level of their technical provisions and the applicability of the methods used. In all cases the same principle should apply for retirement schemes provided by the insurers.	Noted
1.394.	Association of Pensioneer Trustees in Ireland	29.	See response to question 12.	Noted
1.395.	Assoprevidenza – Italian Association for supplemen	29.	We agree with this proposal	Noted
1.396.	Assuralia	29.	Cfr. Q. 12	Noted

			The extremely short delay for responding to the technical consultation document has forced the members of Assuralia to prioritize and to focus on a number of questions. Our lack of response to this question must not be regarded as a lack of interest or opinion.	
1.397.	Belgian Association of Pension Institutions (BVPI-	29.	Do stakeholders agree that it would be useful to introduce Article 84 of Solvency II with appropriate amendments into a revised IORP Directive regarding the need for IORPs to demonstrate to the supervisor on request the appropriateness of the level of technical provisions? Yes, BVPI-ABIP agrees it is useful to have an Article regarding the need for IORPs to demonstrate to the supervisor on request the appropriateness of the level of technical provisions. BVPI-ABIP wishes however to underline the need or proportionality and to avoid an excessive administrative burden. Since this is already covered by the current IORP Directive BVPI-ABIP believes that it is not necessary to revise this article	Noted, proportionality added to advice. Administrative burden included as negative impact
1.398.	BNP Paribas Cardif	29.	BNP Paribas Cardif fully agrees with EIOPA's view of introducing Article 84 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive to demonstrate to the supervisor on request, the appropriateness of the level of their technical provisions and the applicability of the methods used. In all cases the same principle should apply for retirement schemes provided by the insurers.	Noted

1.399.	Bosch Pensionsfonds AG	29.	See under "General comment": "Sui generis" supervisory system for IORPs.	Noted
1.400.	Bosch-Group	29.	See under "General comment": "Sui generis" supervisory system for IORPs.	Noted
1.401.	BT Group plc	29.	Do stakeholders agree that it would be useful to introduce Article 84 of Solvency II with appropriate amendments into a revised IORP Directive regarding the need for IORPs to demonstrate to the supervisor on request the appropriateness of the level of technical provisions? We see no issues with introducing this approach.	Noted
1.402.	BT Pension Scheme Management Ltd	29.	Yes, we agree and support this uncontroversial proposal.	Noted
1.403.	CEA	29.	The CEA fully agrees with EIOPA's view of introducing Article 84 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive to demonstrate to the supervisor on request, the appropriateness of the level of their technical provisions and the applicability of the methods used. This will also lead to less interpretation than the Article 14 of the current Directive in this regard.	Noted
1.404.	Charles CRONIN	29.	Yes, I agree that it would be appropriate to introduce Article 84 from the Solvency Directive into the new IORP Directive. The Article would require the IORP to demonstrate to its Supervisor the appropriateness of its technical provisions and the applicability of the methods used. This is a sensible prudential requirement.	Noted
1.405.	Chris Barnard	29.	I would support the introduction of Article 84 of Solvency II into a revised IORP Directive. I agree that this power already exists	Noted

			through Article 14 of the IORP Directive, but it might increase clarity to explicitly state this.	
1.406.	CMHF (Centrale van Middelbare en Hogere Functionar	29.	Yes, we agree it is useful to add an Article regarding the need for IORPs to demonstrate to the supervisor on request the appropriateness of the level of technical provisions	Noted
1.407.	De Unie (Vakorganisatie voor werk, inkomen en loop	29.	Yes, we agree it is useful to add an Article regarding the need for IORPs to demonstrate to the supervisor on request the appropriateness of the level of technical provisions	Noted
1.408.	Derek Scott of D&L Scott	29.	I do not agree with this proposal. The UK's regulatory system, involving the Pensions Regulator, is a well tested system in operation since 1997, with appropriate mechanisms already in place to monitor the appropriateness of technical provisions. I do not consider it necessary or appropriate for the UK Pensions Regulator's powers to be extended in the way suggested.	Noted
1.409.	Direction Générale du Trésor, Ministère des financ	29.	Yes we agree.	Noted
1.410.	Ecie vie	29.	We support an introduction of Article 84 of Solvency II Directive in the revised IORP Directive.	Noted
1.411.	European Association of Public Sector Pension Inst	29.	Do stakeholders agree that it would be useful to introduce Article 84 of Solvency II with appropriate amendments into a revised IORP Directive regarding the need for IORPs to demonstrate to the supervisor on request the appropriateness of the level of technical provisions? Yes, EAPSPI agrees that the adequateness of the amount of technical provisions as well as the methods and assumptions for its calculations are disclosed on request from the supervisory authority. By means of the national supervisory review of	Noted

			amount and calculation of technical provisions a greater variety and diversification of methods and internal models can be enabled. Again, this is already well-established and not restricted to a Solvency-II-like regulatory structure.	
1.412.	European Federation for Retirement Provision (EFRP	29.	Yes, the EFRP agrees that the IORP Directive should cover the appropriateness of the level of technical provisions. Since this is already covered by the current IORP Directive the EFRP believes that it is not necessary to revise this Article.	Noted
1.413.	European Metalworkers Federation	29.	See response question 22	Noted
1.414.	European Mine, Chemical and Energy workers' Fede	29.	See previous	Noted
1.415.	Federation of the Dutch Pension Funds	29.	Yes, we agree it is useful to add an Article regarding the need for IORPs to demonstrate to the supervisor on request the appropriateness of the level of technical provisions	Noted
1.416.	Financial Reporting Council	29.	While we agree that this is a reasonable proposal, it might give rise to a significant burden on the supervisor. The cost of this burden is likely to fall on IORPs.	Noted, administrative burden included as negative impact
1.417.	FNMF – Fédération Nationale de la Mutualité Françа	29.	FNMF does not agree on valuation principles based on market value.	Noted
1.418.	FNV Bondgenoten	29.	Yes, we agree it is useful to add an Article regarding the need for IORPs to demonstrate to the supervisor on request the appropriateness of the level of technical provisions	Noted
1.419.	Generali vie	29.	We support an introduction of Article 84 of Solvency II Directive in the revised IORP Directive.	Noted
1.420.	German Institute of	29.	We agree. Upon the supervisor's request, it is sensible for an	Noted

	Pension Actuaries (IVS\32\45\3		IORP to be required to demonstrate the appropriateness of the technical provisions and the valuation methods used. However, IORPs should be given greater latitude in their choice of methods when determining technical provisions. All the more so, when applying the holistic balance sheet approach, since this would require significant adjustments to appropriately take account of the particular circumstances of the fund and specific national characteristics.	
1.421.	Groupe Consultatif Actuariel Européen.	29.	Yes, but such requests should be subject to a reasonableness test.	Noted
1.422.	Groupement Français des Bancassureurs	29.	FBIA fully agrees with EIOPA's view of introducing Article 84 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive to demonstrate to the supervisor on request, the appropriateness of the level of their technical provisions and the applicability of the methods used. In all cases the same principle should apply for retirement schemes provided by the insurers.	Noted
1.423.	PMT-PME-Mn Services	29.	Yes, we agree it is useful to add an Article regarding the need for IORPs to demonstrate to the supervisor on request the appropriateness of the level of technical provisions	Noted
1.424.	HM Treasury/Department for Work and Pensions	29.	As the draft advice notes, this power is already implicit in the IORPS Directive, and no reason why new legislation should be introduced is actually given. This proposal is further evidence of the general approach of the draft consultation in which Solvency II is applied unless a strong counter reason can be identified. This places the burden of proof on those who do not agree to change. However, legislation	Noted

			should only be introduced where there is a demonstrated need for it. It is not appropriate that legislation is proposed unless a good case can be demonstrated against it –the default must be that no legislation is proposed unless it is demonstrated to be of benefit, and the burden of proof must be on those proposing legislation.	
1.425.	Institute and Faculty of Actuaries (UK)	29.	In effect, this is already in place in UK. Such requests from regulators should be subject to a reasonability test.	Noted
1.426.	KPMG LLP (UK)	29.	This is appropriate, and is already effectively in place in the UK.	Noted
1.427.	Le cercle des épargnants	29.	We support an introduction of Article 84 of Solvency II Directive in the revised IORP Directive.	Noted
1.428.	Macfarlanes LLP	29.	(CfA 5 Valuation of assets, liabilities and technical provisions) Do stakeholders agree that it would be useful to introduce Article 84 of Solvency II with appropriate amendments into a revised IORP Directive regarding the need for IORPs to demonstrate to the supervisor on request the appropriateness of the level of technical provisions? No. The current system of valuations works and the law provides for prudential valuation and the involvement of the UK regulator.	Noted
1.430.	Mercer	29.	We agree that supervising authorities should be able to request IORPs to provide information setting out and justifying the approach they have adopted for their technical provisions calculation. However, inevitably there will be some subjectivity in the appropriateness of the assumptions and methodology	Noted

			adopted. Supervisor authorities might need some constraints so that they do not impose their own views on schemes, when to all intents and purposes the IORP has complied with the legislation and regulation that applies to it. For example, the paragraph could be amended to say 'Upon reasonable request'.	
1.431.	MHP (Vakcentrale voor Middengroepen en Hoger Perso	29.	Yes, we agree it is useful to add an Article regarding the need for IORPs to demonstrate to the supervisor on request the appropriateness of the level of technical provisions	Noted
1.433.	National Association of Pension Funds (NAPF)	29.	Do stakeholders agree that it would be useful to introduce Article 84 of Solvency II with appropriate amendments into a revised IORP Directive regarding the need for IORPs to demonstrate to the supervisor on request the appropriateness of the level of technical provisions? This is already covered by Article 14 of the IORP Directive. There is no need for any change.	Noted
1.435.	Pan-European Insurance Forum (PEIF)	29.	Assuming that the Solvency II Framework Directive is the model to follow, then we support EIOPA' view. However, please see opening general comments. In any event, the regimes for IORPs and insurers should be consistent.	Noted
1.437.	Pensioenfonds Zorg en Welzijn (PFZW)	29.	Yes, we agree it is useful to add an Article regarding the need for IORPs to demonstrate to the supervisor on request the appropriateness of the level of technical provisions	Noted
1.438.	Predica	29.	Predica fully agrees with EIOPA's view of introducing Article 84	Noted

			of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive to demonstrate to the supervisor on request, the appropriateness of the level of their technical provisions and the applicability of the methods used. In all cases the same principle should apply for retirement schemes provided by the insurers.	
1.439.	prof.dr. A.A.J. Pelsser HonFIA, Netspar & Maastric	29.	Agree: this is very important for the supervisor to have this power!	Noted
1.440.	PTK (Sweden)	29.	PTK agrees it is useful to add an Article regarding the need for IORPs to demonstrate to the supervisor on request the appropriateness of the level of technical provisions. Since this is already covered by the current IORP Directive PTK believes that it is not necessary to revise this article.	Noted
1.441.	Railways Pension Trustee Company Limited ("RPTCL	29.	RPTCL does not agree with this proposal. The UK's regulatory system, involving the Pensions Regulator, is a well tested system with appropriate mechanisms already in place to monitor the appropriateness of technical provisions. We do not consider it necessary or appropriate for the Pensions Regulator's powers to be extended in the way suggested.	Noted
1.443.	TCO	29.	TCO agrees it is useful to ad an Article regarding the need for IORPs to demonstrate to the supervisor on request the appropriateness of the level of technical provisions. Since this is already covered by the current IORP Directive TCO believes that it is not necessary to revise this article.	Noted

1.444.	The Association of the Luxembourg Fund Industry (A	29.	The Respondents agree it is useful to add an Article regarding the need for IORPs to demonstrate to the supervisor on request the appropriateness of the level of technical provisions, as is already the case with national legislation. The Respondents would like to emphasize that the proportionality principle has to be applied.	Noted, proportionality added to advice
1.445.	The Society of Actuaries in Ireland	29.	No strong opinion	Noted
1.446.	Towers Watson Deutschland GmbH	29.	We agree. Upon the supervisor's request, it is sensible for an IORP to be required to demonstrate the appropriateness of the technical provisions and the valuation methods used. However, IORPs should be given greater latitude in their choice of methods when determining technical provisions. All the more so, when applying the holistic balance sheet approach, since this would require significant adjustments to appropriately take account of the particular circumstances of the fund and specific national characteristics.	Noted
1.447.	Trades Union Congress (TUC)	29.	Do stakeholders agree that it would be useful to introduce Article 84 of Solvency II with appropriate amendments into a revised IORP Directive regarding the need for IORPs to demonstrate to the supervisor on request the appropriateness of the level of technical provisions? This is already covered by the IORP Directive so we do not regard this as necessary.	Noted
1.448.	Transport for London / TfL Pension Fund	29.	The current Article 14 already covers the issue and the introduction of Article 84 of Solvency II is unnecessary.	Noted

1.449.	UK Association of Pension Lawyers	29.	CfA 5 (Valuation of assets, liabilities and technical provisions): Do stakeholders agree that it would be useful to introduce Article 84 of Solvency II with appropriate amendments into a revised IORP Directive regarding the need for IORPs to demonstrate to the supervisor on request the appropriateness of the level of technical provisions? We do not support the core premise of adapting Solvency II for the generality of IORPs or re-legislating for IORPs by reference to the single market or a level playing field with insurance companies without reference to whether the IORPs actually or potentially "act in a manner similar to insurance companies" or are genuinely and meaningfully competing or operating in the same market as insurance companies. See the general comments we make in relation to question 38 below. We have nonetheless provided a comment in response to the specific question raised here, in the interests of providing EIOPA with a UK technical legal perspective on this matter, but (to emphasise a point made in raised in part (2) of our general comments at the beginning of this document) our having commented on this question should not be interpreted as our having given explicit or implicit support to the proposition of applying Solvency II to the generality of IORPs. Furthermore, this comment can only be viewed as an initial thought in the absence of further consultation on the potential economic effects of Solvency II (see the concerns raised in part (3) of our general comments at the beginning of this document), and indeed in the absence of an opportunity to carry out a more detailed technical analysis of the proposals under consideration and of the likely practical consequences of implementing them (see the comments made in the last paragraph of part (1) of our general comments at the beginning of this document). With those important qualifications in mind, our comment in	Noted

			response to this specific question is that we do not believe that the introduction of Article 84 would have much of an impact on the current position in the UK as there is already a requirement for technical provisions to be submitted to the UK supervisor (the Pensions Regulator) for review. As acknowledged in paragraph 9.3.167, the impact of such an introduction would be minimal.	
1.450.	UNI Europa	29.	See question 22	
1.451.	Universities Superannuation Scheme (USS),	29.	Do stakeholders agree that it would be useful to introduce Article 84 of Solvency II with appropriate amendments into a revised IORP Directive regarding the need for IORPs to demonstrate to the supervisor on request the appropriateness of the level of technical provisions? This is already covered by Article 14 of the IORP Directive. There is no need for any change.	Noted
1.452.	Verband der Firmenpensionskassen (VFPK) e.V.	29.	This represents current practice and is valid irrespective of Solvency II`s applicability.	Noted
1.453.	VHP2 (Vakorganisatie voor middelbaar en hoger pers	29.	Yes, we agree it is useful to add an Article regarding the need for IORPs to demonstrate to the supervisor on request the appropriateness of the level of technical provisions	Noted
1.454.	Whitbread Group PLC	29.	We see no reason for change to the current regulatory regime for UK pension schemes, which provides strong protection for member's pension benefits	Noted
1.455.	Zusatzversorgungskasse des Baugewerbes AG	29.	We agree.	Noted

1.456.	Towers Watson	29.	30. Do stakeholders agree that it would be useful to introduce Article 84 of Solvency II with appropriate amendments into a revised IORP Directive regarding the need for IORPs to demonstrate to the supervisor on request the appropriateness of the level of technical provisions? Yes – this is effectively already a requirement of the UK regime.	Noted
1.457.	OPSG (EIOPA Occupational Pensions Stakeholder Group)	30.	See question 13	
1.458.	AbA Arbeitsgemeinschaft für betriebliche Altersver	30.	There should be no such requirements at EU level. At the national level, should the technical provisions prove to be inadequate, the supervisor should require the IORP to raise the level of provisions after allowing for a reasonable transition period.	Noted
1.459.	ABVAKABO FNV	30.	Yes, we agree that an Article can be added regarding powers of the supervisor to require IORPs to raise the amount of technical provisions corresponding to supervisory law	Noted
1.460.	AEIP	30.	69. AEIP agrees with this proposal. 70. We draw EIOPA's attention to the fact We draw EIOPA's attention to the fact that sometimes national tax law does not allow pension funds to raise the amount of technical provisions without risking ther tax-free status. These problems should be solved before requiring pension funds to do so upon request by supervisors. Furthermore any rise of technical provisions has to be ordered with due consideration concerning amount and time. Otherwise the sponsor(s) could get damaged.	Noted
1.461.	AFPEN (France)	30.	AFPEN agrees that in general the supervisor shall have the	Noted

			power to require IORPs to raise the amount of technical provisions if requirements are fulfilled. Important are sufficient reaction periods and if necessary a well-ordered inclusion of the sponsoring undertaking. Again, this is not restricted to a Solvency-II-like regulation structure.	
1.463.	AMICE	30.	AMICE agrees with the introduction of Article 85 of Solvency II, widely unchanged, into a revised IORP Directive granting supervisory authorities the power to increase the amount of technical provisions.	Noted
1.464.	AMONIS OFP	30.	Do stakeholders agree that it would be useful to introduce Article 85 of Solvency II with appropriate amendments into a revised IORP Directive regarding powers of the supervisor to require IORPs to raise the amount of technical provisions corresponding to supervisory law? Yes, AMONIS OFP agrees that an Article can be added regarding powers of the supervisor to require IORPs to raise the amount of technical provisions corresponding to supervisory law. Since this is already covered by the current IORP Directive, AMONIS OFP believes that it is not necessary to revise this article. Furthermore any rise of technical provisions has to be ordered with due consideration concerning amount and timing of funding. Otherwise the sponsor(s) could get damaged.	Noted
1.465.	ANIA – Association of Italian Insurers	30.	As EIOPA correctly indicates, it is important that supervisors are able to ensure that IORPs set an appropriate level of technical provisions. As such, the ANIA fully agrees that Article 85 of the Solvency II Framework Directive should be included in the revised IORP Directive without the need for specific amendments.	Noted
1.466.	Association of British Insurers	30.	The ABI agrees with EIOPA’s view of introducing the amended Article 85 of the Solvency II Directive	Noted

1.467.	Association of Consulting Actuaries (UK)	30.	Yes, provided that this power is to be exercised by the supervisory authority in each Member State.	Noted
1.468.	Association of French Insurers (FFSA)	30.	47. As EIOPA correctly indicates, it is important that supervisors are able to ensure that IORPs set an appropriate level of technical provisions. As such, the FFSA fully agrees that Article 85 of the Solvency II Framework Directive should be included in the revised IORP Directive without the need for specific amendments. In all cases the same principle should apply for retirement schemes provided by the insurers.	Noted
1.469.	Association of Pensioneer Trustees in Ireland	30.	See response to question 12.	Noted
1.470.	Assoprevidenza – Italian Association for supplemen	30.	We agree with this proposal	Noted
1.471.	Assuralia	30.	Cfr. Q. 12 The extremely short delay for responding to the technical consultation document has forced the members of Assuralia to prioritize and to focus on a number of questions. Our lack of response to this question must not be regarded as a lack of interest or opinion.	Noted
1.472.	Balfour Beatty plc	30.	Do stakeholders agree that it would be useful to introduce Article 85 of Solvency II with appropriate amendments into a revised IORP Directive regarding powers of the supervisor to require IORPs to raise the amount of technical provisions corresponding	Noted, right of appeal mentioned in advice

			to supervisory law? Where an IORP's technical provisions do not meet the requirements of the Directive, this seems appropriate. However, it may well be unclear whether the technical provisions meet these requirements, and IORPs must have a right of appeal aginst decisions of the supervisory authority.	
1.473.	Belgian Association of Pension Institutions (BVPI-	30.	Do stakeholders agree that it would be useful to introduce Article 85 of Solvency II with appropriate amendments into a revised IORP Directive regarding powers of the supervisor to require IORPs to raise the amount of technical provisions corresponding to supervisory law? Yes, BVPI-ABIP agrees that an Article can be added regarding powers of the supervisor to require IORPs to raise the amount of technical provisions corresponding to supervisory law. Since this is already covered by the current IORP Directive, BVPI-ABIP believes that it is not necessary to revise this article. Furthermore any rise of technical provisions has to be ordered with due consideration concerning amount and time. Otherwise the sponsor(s) could get damaged.	Noted
1.474.	BNP Paribas Cardif	30.	As EIOPA correctly indicates, it is important that supervisors are able to ensure that IORPs set an appropriate level of technical provisions. As such, BNP Paribas Cardif fully agrees that Article 85 of the Solvency II Framework Directive should be included in the revised IORP Directive without the need for specific amendments. In all cases the same principle should apply for retirement schemes provided by the insurers.	Noted

1.475.	Bosch Pensionsfonds AG	30.	See under "General comment": "Sui generis" supervisory system for IORPs.	Noted
1.476.	Bosch-Group	30.	See under "General comment": "Sui generis" supervisory system for IORPs.	
1.477.	BT Group plc	30.	Do stakeholders agree that it would be useful to introduce Article 85 of Solvency II with appropriate amendments into a revised IORP Directive regarding powers of the supervisor to require IORPs to raise the amount of technical provisions corresponding to supervisory law? We do not see any reason to amend this Article. The Pensions Regulator already has extensive powers in the UK and there has been no evidence of market failure arising from a lack of power.	Noted
1.478.	BT Pension Scheme Management Ltd	30.	Yes, we believe that such powers are appropriate and in a UK context are already wielded by the Pensions Regulator.	Noted
1.479.	CEA	30.	As EIOPA correctly indicates, it is important that supervisors are able to ensure that IORPs set an appropriate level of technical provisions. As such, the CEA fully agrees that Article 85 of the Solvency II Framework Directive should be included in the revised IORP Directive without the need for specific amendments.	Noted
1.480.	Charles CRONIN	30.	Yes, I support the introduction of Article 85 from the Solvency Directive into the new IORP Directive. The Article would empower supervisors to compel IORPs to raise their technical provisions to correspond with supervisory requirements stated elsewhere in the Directive.	Noted
1.481.	Chris Barnard	30.	I agree that it would be useful to introduce Article 85 of	Noted

			Solvency II into a revised IORP Directive. I agree that this power already exists through Article 14 of the IORP Directive, but it doesn't do any harm to explicitly state this.	
1.482.	CMHF (Centrale van Middelbare en Hogere Functionar	30.	Yes, we agree that an Article can be added regarding powers of the supervisor to require IORPs to raise the amount of technical provisions corresponding to supervisory law	Noted
1.483.	De Unie (Vakorganisatie voor werk, inkomen en loop	30.	Yes, we agree that an Article can be added regarding powers of the supervisor to require IORPs to raise the amount of technical provisions corresponding to supervisory law	Noted
1.484.	Derek Scott of D&L Scott	30.	Ditto.	Noted
1.485.	Deutsche Post AG / Deutsche Post DHL	30.	No.	Noted
1.486.	Deutsche Post Pensionsfonds AG	30.	No.	Noted
1.487.	DHL Services Limited	30.	Do stakeholders agree that it would be useful to introduce Article 85 of Solvency II with appropriate amendments into a revised IORP Directive regarding powers of the supervisor to require IORPs to raise the amount of technical provisions corresponding to supervisory law? No.	Noted
1.488.	DHL Trustees Limited	30.	Do stakeholders agree that it would be useful to introduce Article 85 of Solvency II with appropriate amendments into a revised IORP Directive regarding powers of the supervisor to require IORPs to raise the amount of technical provisions corresponding to supervisory law?	Noted

			No.	
1.489.	Direction Générale du Trésor, Ministère des financ	30.	Yes we agree.	Noted
1.490.	Ecie vie	30.	We support an introduction of Article 85 of Solvency II Directive in the revised IORP Directive.	Noted
1.491.	EEF	30.	EEF disputes that there is a need to incorprotate Article 85 of Solvency II into a revised IORP Directive. We dispute the suggestion that there is a need to create a level playing field across financial sectors such that IORPs should be required to raise the amount of technical provisions. The providers of IORPs are not in the same market as insurers; occupational pensions are accessed by the labour market, not the financial product market and generally operate on a not for profit basis. They also have a very different risk profile and there are mitigating mechanisms for managing that risk. 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. Further reform runs a real risk of an illusory 'pension security', as employers will 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,	Noted

			risking reduced investment in jobs and R&D and even closure. For these reasons we believe a thorough impact assessment is necessary, covering the effect not only on pension security but also the wider economic implications – for jobs, investment and the financial markets should pension fund managers be required to avoid risk bearing assets. Unlike the capital solvency requirement proposal, the UK's pension regulatory regime has been very effective in holding the balance between raising the the level of scheme funding/ improving pension security and ensuring employers remain sustainable. There is insufficient acknowledgment in the proposed EIPOA advice of the need to carry out this balancing act.	
1.492.	European Association of Public Sector Pension Inst	30.	Do stakeholders agree that it would be useful to introduce Article 85 of Solvency II with appropriate amendments into a revised IORP Directive regarding powers of the supervisor to require IORPs to raise the amount of technical provisions corresponding to supervisory law? EAPSPI agrees that in general the supervisor shall have the power to require IORPs to raise the amount of technical provisions if the relevant requirements are not fulfilled. Important are sufficient reaction periods and if necessary a well-ordered inclusion of the sponsoring undertaking. Again, this is not restricted to a Solvency-II-like regulatory structure.	Noted
1.493.	European Federation for Retirement Provision	30.	Yes, the EFRP agrees that the IORP Directive should cover the regulator's power to raise technical provisions. Since this is	Noted

	(EFRP		already covered by the current IORP Directive, the EFRP believes that it is not necessary to revise this Article.	
1.494.	European Metalworkers Federation	30.	See response question 22	Noted
1.495.	European Mine, Chemical and Energy workers' Fede	30.	See previous	Noted
1.496.	Federation of the Dutch Pension Funds	30.	Yes, we agree that an Article can be added regarding powers of the supervisor to require IORPs to raise the amount of technical provisions corresponding to supervisory law	Noted
1.497.	Financial Reporting Council	30.	While such a proposal might appear reasonable we consider that this places a heavy burden on the regulator to verify all calculations of technical provisions. The cost of this burden is likely to fall on IORPs. For this reason we do not agree that article 85 should be introduced.	Noted
1.498.	FNMF – Fédération Nationale de la Mutualité França	30.	FNMF does not agree on valuation principles based on market value.	Noted
1.499.	FNV Bondgenoten	30.	Yes, we agree that an Article can be added regarding powers of the supervisor to require IORPs to raise the amount of technical provisions corresponding to supervisory law	Noted
1.500.	Generali vie	30.	We support an introduction of Article 85 of Solvency II Directive in the revised IORP Directive.	Noted
1.501.	German Institute of Pension Actuaries (IVS\32\45\3	30.	We agree. The supervisor should indeed have the right to demand an increase in the technical provisions if they do not satisfy the requirements. However, as mentioned in our answer to question 12 it must be ensured that the appropriate aspects are taken into account in the calculation of the technical provisions and any employer covenants or insolvency protection schemes. The supervisor must also allow IORPs an adequate	Noted

			recovery period, e.g. by agreeing on a plan that allows sponsors enough time and sufficiently takes account of available sources of surplus and employer covenants.	
1.502.	Groupe Consultatif Actuariel Européen.	30.	We think the supervisor should have the power to challenge the adequacy of technical provisions. Whether the power should extend beyond this (eg to requiring the IORP to change technical provisions) is essentially a political question; if such a power is granted, then there should be suitable checks and balances built into the legislation.	Noted, right of appeal added to advice
1.503.	Groupement Français des Bancassureurs	30.	As EIOPA correctly indicates, it is important that supervisors are able to ensure that IORPs set an appropriate level of technical provisions. As such, FBIA fully agrees that Article 85 of the Solvency II Framework Directive should be included in the revised IORP Directive without the need for specific amendments. In all cases the same principle should apply for retirement schemes provided by the insurers.	Noted
1.504.	PMT-PME-Mn Services	30.	Yes, we agree that an Article can be added regarding powers of the supervisor to require IORPs to raise the amount of technical provisions corresponding to supervisory law	Noted
1.505.	HM Treasury/Department for Work and Pensions	30.	As with the response to Q29, the draft advice notes that this power is already implicit in the IORPS Directive, and no reason why new legislation should be introduced is actually given. This proposal is further evidence of the general approach of the draft consultation in which Solvency II should be applied unless there is a sound reason for not doing so.	Noted

1.506.	Institute and Faculty of Actuaries (UK)	30.	This is essentially a political question. However it is not too different from what is already in the IORP Directive. We wonder whether such a power should be a two-way power (i.e. whether regulators should also have the power to lower the level of technical provisions in adverse market situations)?	Noted
1.507.	KPMG LLP (UK)	30.	This is a political question as to the extent of the powers of a regulator.	Noted
1.508.	Le cercle des épargnants	30.	We support an introduction of Article 85 of Solvency II Directive in the revised IORP Directive.	Noted
1.509.	Macfarlanes LLP	30.	(CfA 5 Valuation of assets, liabilities and technical provisions) Do stakeholders agree that it would be useful to introduce Article 85 of Solvency II with appropriate amendments into a revised IORP Directive regarding powers of the supervisor to require IORPs to raise the amount of technical provisions corresponding to supervisory law? No. As already noted, with long-term but generally predictable commitments, company pension schemes should be regulated in a way which allows a balance to be struck between affordability to the company and the rights and interests of members and stakeholders. Current UK law does that. It would be inappropriate to alter scheme specific funding as applicable under UK law to be retrospectively replaced by an unnecessary prescriptive standard. As already explained, the judgement of trustee boards and employers, policed by regulation in the event of disagreement, works.	Noted
1.511.	Mercer	30.	In principle this seems reasonable, although before doing so the	Noted

			supervisory authority should be required to demonstrate why the position reached by the IORP does not comply with the regulatory requirements. However, this raises the question about the actions that must follow from the increase in the technical provisions and highlights a fundamental difference between insurance companies and IORPs. For example, if the Directive requires IORPs to hold financial assets at least equal to their technical provisions at all times, then the increase in measurement creates a need for additional capital. IORPs generally cannot access capital from financial markets, in the same way that insurance companies can. There are different models throughout the EU for dealing with shortfalls: ☐ In some countries, benefits can be reduced until funding has been restored; ☐ In others, the 'safety valve' is reliance on the employer covenant. In the latter case, currently, it is not possible for IORPs to require employers to finance shortfalls regardless of their own financial circumstances. Instead, these are met over a period of time agreed between the IORP and the employer, often subject to regulatory oversight. The consultation document suggest this flexibility will remain, although one interpretation of the proposals is that the measure of financial assets required could be higher than under the current IORP Directive and a maximum	

			period of 15 years would be mandated. These two pressures could result in a decision by a member state regulator causing an employer to, at the very least, break banking and other covenants it has with its other creditors and stakeholders, and, at the worst to become insolvent. The knowledge that regulators have these powers is likely to make future shareholders and lenders very nervous about companies that sponsor defined benefit schemes, to the extent that they become unviable. The effect of the proposals could be to fundamentally alter the legal status of IORPs in relation to the sponsoring employer and to undermine the effect of existing company law and individual contracts. Until EIOPA and the EC are clear about the consequences of the revised measures of technical provisions that could result following amendments to the IORP Directive, in particular, how these will be used by the IORP and by regulators, we are unable to take an informed view in relation to this question.	
1.512.	MHP (Vakcentrale voor Middengroepen en Hoger Perso	30.	Yes, we agree that an Article can be added regarding powers of the supervisor to require IORPs to raise the amount of technical provisions corresponding to supervisory law	Noted
1.514.	National Association of Pension Funds (NAPF)	30.	Do stakeholders agree that it would be useful to introduce Article 85 of Solvency II with appropriate amendments into a revised IORP Directive regarding powers of the supervisor to require IORPs to raise the amount of technical provisions corresponding to supervisory law?	Noted

			The existing Article 14 gives national supervisory authorities wide-ranging powers to intervene when a scheme's technical provisions are unsatisfactory. Incorporating Article 85 of Solvency II would – again – deliver no new advantage.	
1.516.	Pan-European Insurance Forum (PEIF)	30.	Assuming that the Solvency II Framework Directive is the model to follow, then we support EIOPA' view. However, please see opening general comments. In any event, the regimes for IORPs and insurers should be consistent.	Noted
1.517.	Pensioenfonds Zorg en Welzijn (PFZW)	30.	Yes, we agree that an Article can be added regarding powers of the supervisor to require IORPs to raise the amount of technical provisions corresponding to supervisory law	Noted
1.518.	Predica	30.	As EIOPA correctly indicates, it is important that supervisors are able to ensure that IORPs set an appropriate level of technical provisions. As such, Predica fully agrees that Article 85 of the Solvency II Framework Directive should be included in the revised IORP Directive without the need for specific amendments. In all cases the same principle should apply for retirement schemes provided by the insurers.	Noted
1.519.	prof.dr. A.A.J. Pelsser HonFIA, Netspar & Maastric	30.	Agree.	Noted
1.520.	PTK (Sweden)	30.	PTK agrees that an Article can be added regarding powers of the supervisor to require IORPs to raise the amount of technical	Noted

			provisions corresponding to supervisory law. Since this is already covered by the current IORP Directive, PTK believes that it is not necessary to revise this article.	
1.521.	Railways Pension Trustee Company Limited ("RPTCL	30.	RPTCL does not agree with this proposal. The UK's regulatory system, involving the Pensions Regulator, is a well tested system with appropriate mechanisms already in place to test the adequacy of technical provisions and, if necessary, strengthen them. We do not consider it necessary or appropriate for the Pensions Regulator's powers to be extended in the way suggested.	Noted
1.522.	Reed Elsevier Group plc	30.	The new rules should provide IORPs with the stability required to make the necessary provision. There have been enough changes to the UK regulations in recent years without allowing supervisors to make changes at will. Supervisors have considerable authority already.	Noted
1.524.	TCO	30.	TCO agrees that an Article can be added regarding powers of the supervisor to require IORPs to raise the amount of technical provisions corresponding to supervisory law. Since this is already covered by the current IORP Directive, TCO believes that it is not necessary to revise this article.	Noted
1.525.	Tesco PLC	30.	13. Do stakeholders agree that it would be useful to introduce Article 85 of Solvency II with appropriate amendments into a revised IORP Directive regarding powers of the supervisor to require IORPS to raise the amount of technical provisions corresponding to supervisory law? No. This would represent a major extension of the Pension Regulator's power to intervene. The UK system is well tested	Noted

			with effective checks and balances. There is no case for disturbing it.	
1.526.	The Association of the Luxembourg Fund Industry (A	30.	The Respondents agree that an Article may be added regarding powers of the supervisor to require IORPs to increase the amount of technical provisions in accordance with prudential regulation. However, a reasonable time line for any additional funding has to be determined.	Noted
1.527.	The Hundred Group of Finance Directors (UK)	30.	No. Supervisors already have substantial powers to monitor the setting of technical provisions and it is not appropriate to allow them additional powers to impose technical provisions on IORPs.	Noted
1.528.	The Society of Actuaries in Ireland	30.	No strong opinion	Noted
1.529.	Towers Watson Deutschland GmbH	30.	We agree. The supervisor should indeed have the right to demand an increase in the technical provisions if they do not satisfy the requirements. However, the supervisor must also allow IORPs an adequate recovery period, e.g. by agreeing on a plan that allows sponsors enough time and sufficiently takes account of available sources of surplus, employer covenants and insolvency protection schemes.	Noted
1.530.	Transport for London / TfL Pension Fund	30.	The current Article 14 already covers the issue and the introduction of Article 85 of Solvency II is unnecessary.	Noted
1.531.	UK Association of Pension Lawyers	30.	CfA 5 (Valuation of assets, liabilities and technical provisions): Do stakeholders agree that it would be useful to introduce Article 85 of Solvency II with appropriate amendments into a revised IORP Directive regarding powers of the supervisor to require	Noted

			IORPs to raise the amount of technical provisions corresponding to supervisory law? We do not support the core premise of adapting Solvency II for the generality of IORPs or re-legislating for IORPs by reference to the single market or a level playing field with insurance companies without reference to whether the IORPs actually or potentially “act in a manner similar to insurance companies” or are genuinely and meaningfully competing or operating in the same market as insurance companies. See the general comments we make in relation to question 38 below. We have nonetheless provided a comment in response to the specific question raised here, in the interests of providing EIOPA with a UK technical legal perspective on this matter, but (to emphasise a point made in raised in part (2) of our general comments at the beginning of this document) our having commented on this question should not be interpreted as our having given explicit or implicit support to the proposition of applying Solvency II to the generality of IORPs. Furthermore, this comment can only be viewed as an initial thought in the absence of further consultation on the potential economic effects of Solvency II (see the concerns raised in part (3) of our general comments at the beginning of this document), and indeed in the absence of an opportunity to carry out a more detailed technical analysis of the proposals under consideration and of the likely practical consequences of implementing them (see the comments made in the last paragraph of part (1) of our general comments at the beginning of this document). With those important qualifications in mind, our comment in response to this specific question is that we do not agree that this would be a useful introduction. The Regulator in the UK already has this power. The introduction of an additional regulatory power/body would, again, increase costs and add	

			confusion to the workable system that is currently in place in the UK.	
1.532.	UNI Europa	30.	See question 22	Noted
1.533.	Universities Superannuation Scheme (USS),	30.	Do stakeholders agree that it would be useful to introduce Article 85 of Solvency II with appropriate amendments into a revised IORP Directive regarding powers of the supervisor to require IORPs to raise the amount of technical provisions corresponding to supervisory law? The existing Article 14 gives national supervisory authorities wide-ranging powers to intervene when a scheme's technical provisions are unsatisfactory. Incorporating Article 85 of Solvency II would – again – deliver no new advantage.	Noted
1.534.	Verband der Firmenpensionskassen (VFPK) e.V.	30.	This fact is valid independently from the application of Solvency II.	Noted
1.535.	VHP2 (Vakorganisatie voor middelbaar en hoger pers	30.	Yes, we agree that an Article can be added regarding powers of the supervisor to require IORPs to raise the amount of technical provisions corresponding to supervisory law	Noted
1.536.	Whitbread Group PLC	30.	We see no reason for change to the current regulatory regime for UK pension schemes, which provides strong protection for member's pension benefits	Noted
1.537.	Zusatzversorgungskasse des Baugewerbes AG	30.	34. Sometimes national tax law does not allow pension funds to raise the amount of technical provisions without risking ther tax-free status. This problem should be solved before obliging pension funds to do so upon request by supervisors. 35. Furthermore any rise of technical provisions has to be	Noted

			ordered with due consideration concerning amount and time. Otherwise the sponsor(s) could get damaged.	
1.538.	Towers Watson	30.	31. Do stakeholders agree that it would be useful to introduce Article 85 of Solvency II with appropriate amendments into a revised IORP Directive regarding powers of the supervisor to require IORPs to raise the amount of technical provisions corresponding to supervisory law? We agree that it is reasonable for national regulators to have this power where an IORP's technical provisions do not meet the requirements of the Directive. However, in some cases, it will be unclear whether the technical provisions meet these requirements, and so an element of subjective judgement is needed. In these cases, there should be procedures to ensure that IORPs have a right of appeal against decisions of the supervisory authority.	Noted, right of appeal mentioned in advice
1.539.	OPSG (EIOPA Occupational Pensions Stakeholder Group)	31.	See question 13	Noted
1.540.	AbA Arbeitsgemeinschaft für betriebliche Altersver	31.	No. We do not agree that methodologies used to calculate technical provisions should be harmonised at EU level. Methodologies at national level have evolved over time to reflect the particular circumstances of IORPs and are often intertwined with social and labour law requirements. Harmonising these would have a major impact on the feasibility of 2nd pillar provision and, therefore, coverage levels.	Noted, negative impact added that L2 rules may not fit national approached
1.541.	ABVAKABO FNV	31.	We are deeply concerned about laying down the full set of technical measures with respect to the holistic balance sheet in Level 2 implementing measures. We feel that this new instrument is so new, complex and far reaching for the day to day management of a pension fund that a first impression of the	Noted, quantitative impact study and assessment added to advice

			concrete consequences is in order. We advise to hold at least both a Qualitative and a Quantitative Impact Study regarding the holistic balance sheet before Level 1 measures are decided upon.	
1.542.	AEIP	31.	71. Many quantative impact studies within Solvency II showed that the most important burden derives from the calculation of technical provisions. Especially the design of the risk free discount curve builds up enormous pressure. These are aspects whose details are fixed on level 2 within the Solvency II process. The most important aspects that decide about the future of the pension fund industry must however be decided on level 1. AEIP is worried because the technical measures regarding the holistic approach are part of level 2, ans are not yet known. They can have far reaching consequences. AEIP therefore urges to do a quantitative and qualitative impact study, before taking any binding decision on level 1.	Noted, quantitative impact study and assessment added to advice
1.543.	AFPEN (France)	31.	102. AFPEN strongly suggests that the first steps to go in the review of the IORP Directive are Quantitative Impact Studies before any Level 1 decisions taken! With respect to the essential consequences on the individual IORPs as well as on the pension system of Member States it is absolutely necessary to get impression of these changes in advance due to the variety of pension scheme arrangements and differences in benefits. In addition the Level 2 implementing measures must respect national characteristics in form of security mechanisms and the relations of technical provisions regulations to Social and Labor Law. In addition has to be accounted for the possibility of benefit reductions and the level of security, which in case of public sector IORPs is the result of paritarian negotiations of representatives of employees and employers. In the end it must	Noted, quantitative impact study and assessment added to advice

			be respected that an increase of security comes at the expense of a decrease of benefits–and the level of benefits is a political decision at the national level of Member States and not a technical implementing measure.	
1.545.	AMONIS OFP	31.	Do stakeholders agree that a new IORP Directive should allow for the Commission to adopt level 2 implementing measures regarding the calculation of technical provisions as introduced by Article 86 of Solvency II? AMONIS OFP strongly disagrees with the proposal that a new IORP directive should allow for the Commission to adopt level 2 implementing measures regarding the calculation of technical provisions as introduced by Article 86 of Solvency II. AMONIS OFP advises to EIOPA to answer to the Commission that Quantitative and Qualitative Impact Studies – on the level of the effect for an individual IORP and on the level of the effects of total pension provision in Member States - regarding the revision of the IORP directive before Level 1 measures are decided or even proposed upon. The character of the pension benefit differs from Member State to Member State. As a result of the different characteristics of pension benefits, also the way how technical provisions are calculated is different. A relative small change of the way technical provisions have to be calculated could have major consequences.	Noted, quantitative impact study and assessment added to advice
1.546.	ANIA – Association of Italian Insurers	31.	The ANIA strongly supports the view that the new IORP Directive should allow the Commission to adopt level 2 implementing measures regarding the calculation of technical provisions as introduced by Article 86 of the Solvency II Framework Directive. Not only would this lead to greater harmonisation, but also is it necessary to maintain a level playing field with providers of	Noted, proportionality added to advice

			similar risks and to ensure greater and consistent consumer protection. The fact that implementing measures could be too complex or result in too high costs considering the nature, scale and complexity of IORPs could be avoided by giving due consideration to the proportionality principle in the implementing measures. Exactly the same problems of complexity and costs arise for insurers under the Solvency II Directive and these too are solved by applying the proportionality principle. However, it is vital to clarify how this proportionality will be applied in practise.	
1.547.	Association of British Insurers	31.	The ABI agrees that the IORP Directive should allow the Commission to adopt Level 2 implementing measure as outlined in Article 86.	Noted
1.548.	Association of Consulting Actuaries (UK)	31.	We agree with EIOPA that there may be a need for Level 2 implementing measures, but that this depends on the wording of the new IORP directive. We suggest avoiding or minimizing the extent of Level 2 guidance where possible and ensuring that there is open process in determining and reviewing such measures. As is apparent from this consultation, there are different designs of IORP in different Member States. An attempt to set detailed rules centrally is doomed to failure – without familiarity with the local position, there is far too great a risk of introducing rules which are at best inappropriate and at worst positively harmful to local IORPs. Our preferred position would be for a new IORP directive to be principles-based, with implementation by the local supervisory authority in each Member State, and with oversight and experience sharing within EIOPA, with the aim of identifying any problematic inconsistency of approach between Member States.	Noted, negative impact added that L2 rules may not fit national approaches
1.549.	Association of French	31.	48. It is necessary to maintain a level playing field with	Noted

	Insurers (FFSA)		providers of similar risks and to ensure greater and consistent members/beneficiaries protection. The FFSA agrees that the new IORP Directive should allow for the Commission to adopt level 2 implementing measures regarding the calculation of technical provisions as introduced by Article 86 of the Solvency II Framework Directive.	
1.550.	Association of Pensioneer Trustees in Ireland	31.	See response to question 12.	Noted
1.551.	Assoprevidenza – Italian Association for supplemen	31.	Many quantative impact studies within Solvency II showed that the most important burden derives from the calculation of technical provisions. Especially the design of the risk free discount curve builds up enormous pressure. These are aspects whose details are fixed on level 2 within the Solvency II process. The most important aspects that decide about the future of the pension fund industry must however be decided on level 1.	Noted
1.552.	Assuralia	31.	Cfr. Q. 12 The extremely short delay for responding to the technical consultation document has forced the members of Assuralia to prioritize and to focus on a number of questions. Our lack of response to this question must not be regarded as a lack of interest or opinion.	Noted
1.553.	Balfour Beatty plc	31.	Do stakeholders agree that a new IORP Directive should allow for the Commission to adopt level 2 implementing measures regarding the calculation of technical provisions as introduced by Article 86 of Solvency II?	Noted, public consultation added to advice

			As mentioned previously, IORPs and insurance companies are fundamentally different. In particular, unlike insurers, UK IORPs are also entirely dependent on their sponsors as a source of capital. The impact of any new regime on IORPs is therefore inextricably linked with the impact on their sponsors. We therefore believe that most implementing measures should be in the hands of national regulators, who can apply detailed knowledge of the circumstances of IORPs. If it is necessary to adopt implementing measures at EU level, these should be the highest-level principles only, and subject to consultation and impact assessment before adoption. Any implementing measures for IORPs should not be considered until sufficient experience has been obtained from implementing the corresponding measures for insurance companies.	
1.554.	Belgian Association of Pension Institutions (BVPI-	31.	Do stakeholders agree that a new IORP Directive should allow for the Commission to adopt level 2 implementing measures regarding the calculation of technical provisions as introduced by Article 86 of Solvency II? BVPI-ABIP strongly disagrees with the proposal that a new IORP directive should allow for the Commission to adopt level 2 implementing measures regarding the calculation of technical provisions as introduced by Article 86 of Solvency II. BVPI-ABIP advises to EIOPA to answer to the Commission that Quantitative and Qualitative Impact Studies – on the level of the	Noted, quantitative impact study and assessment added to advice

			effect for an individual IORP and on the level of the effects of total pension provision in Member States - regarding the revision of the IORP directive before Level 1 measures are decided or even proposed upon. The character of the pension benefit differs from Member State to Member State. As a result of the different characteristics of pension benefits, also the way how technical provisions are calculated is different. A relative small change of the way technical provisions have to be calculated could have major consequences.	
1.555.	BNP Paribas Cardif	31.	It is necessary to maintain a level playing field with providers of similar risks and to ensure greater and consistent members/beneficiaries protection. BNP Paribas Cardif agrees that the new IORP Directive should allow for the Commission to adopt level 2 implementing measures regarding the calculation of technical provisions as introduced by Article 86 of the Solvency II Framework Directive.	Noted
1.556.	Bosch Pensionsfonds AG	31.	See under “General comment”: “Sui generis” supervisory system for IORPs.	Noted
1.557.	Bosch-Group	31.	See under “General comment”: “Sui generis” supervisory system for IORPs.	Noted
1.558.	BT Group plc	31.	This proposal which would seem to give the Commission wide powers to impose additional requirements on IORPS without full scrutiny and accountability is inappropriate.	Noted
1.559.	BT Pension Scheme Management Ltd	31.	Yes, we believe that it is necessary and appropriate for EIOPA to have such powers. In particular, we believe that this is needed so that the implementing measures include appropriate flexibility and the necessary levels of proportionality.	Noted, proportionality added to advice

1.560.	BVI Bundesverband Investment und Asset Management	31.	Given that it is of utmost importance that the principle of proportionality and materiality be strengthened in the new IORP Directive, it appears premature to wave through level 2 mandates before a thorough quantitative impact assessment on the potential consequences has been conducted.	Noted, quantitative impact study and assessment added to advice as well as materiality and proportionality
1.561.	CEA	31.	The CEA strongly supports the view that the new IORP Directive should allow the Commission to adopt level 2 implementing measures regarding the calculation of technical provisions as introduced by Article 86 of the Solvency II Framework Directive. Not only would this lead to greater harmonisation, but also is it necessary to maintain a level playing field with providers of similar risks and to ensure greater and consistent consumer protection. The fact that implementing measures could be too complex or result in too high costs considering the nature, scale and complexity of IORPs could be avoided by giving due consideration to the proportionality principle in the implementing measures. Exactly the same problems of complexity and costs arise for insurers under the Solvency II Directive and these too are solved by applying the proportionality principle. However, it is vital to clarify how this proportionality will be applied in practice.	Noted, proportionality added to advice
1.562.	Charles CRONIN	31.	Given my concern with the adverse effects of accounting standards on the provision of DB pension schemes, I could not support the Commission in developing implementing measures at level 2 regarding the calculation of technical provisions, if they relate to the valuing of assets at market value and an unsmoothed market discount rate for liabilities.	Noted
1.563.	Chris Barnard	31.	I agree that a new IORP Directive should allow for the	Noted

			Commission to adopt Level 2 implementing measures where appropriate. The extent of any implementing measures would depend on the details of the new IORP Directive.	
1.564.	CMHF (Centrale van Middelbare en Hogere Functionar	31.	We are deeply concerned about laying down the full set of technical measures with respect to the holistic balance sheet in Level 2 implementing measures. We feel that this new instrument is so new, complex and far reaching for the day to day management of a pension fund that a first impression of the concrete consequences is in order. We advise to undertake at least both a Qualitative and a Quantitative Impact Study regarding the holistic balance sheet before Level 1 measures are decided upon.	Noted, quantitative impact study and assessment added to advice
1.565.	De Unie (Vakorganisatie voor werk, inkomen en loop	31.	We are deeply concerned about laying down the full set of technical measures with respect to the holistic balance sheet in Level 2 implementing measures. We feel that this new instrument is so new, complex and far reaching for the day to day management of a pension fund that a first impression of the concrete consequences is in order. We advise to undertake at least both a Qualitative and a Quantitative Impact Study regarding the holistic balance sheet before Level 1 measures are decided upon.	Noted, quantitative impact study and assessment added to advice
1.566.	Derek Scott of D&L Scott	31.	I do not agree with this either. The introduction of measures such as these will not only have a huge impact on people's pensions but they will potentially have a huge impact on the sustainability of those UK defined benefit pension schemes which currently offer benefits in respect of future service. Furthermore, the Solvency II Directive for insurers is not fully operational until January 2013 and any consideration as to whether pension schemes should be subject to a regime based on the capital requirements of the Solvency II Directive should as a minimum await several years of practical experience of	Noted

			operating that new regime in the insurance industry.	
1.567.	Deutsche Post AG / Deutsche Post DHL	31.	13. We are deeply concerned about laying down the full set of technical measures with respect to the holistic balance sheet in Level 2 implementing measures. We feel that this new instrument is so new, complex and far reaching for the day to day management of a pension fund that a first impression of the concrete consequences is in order. We advise to undertake at least both a Qualitative and a Quantitative Impact Study regarding the holistic balance sheet before Level 1 measures are decided upon.	Noted, quantitative impact study and assessment added to advice
1.568.	Deutsche Post Pensionsfonds AG	31.	14. We are deeply concerned about laying down the full set of technical measures with respect to the holistic balance sheet in Level 2 implementing measures. We feel that this new instrument is so new, complex and far reaching for the day to day management of a pension fund that a first impression of the concrete consequences is in order. We advise to undertake at least both a Qualitative and a Quantitative Impact Study regarding the holistic balance sheet before Level 1 measures are decided upon.	Noted, quantitative impact study and assessment added to advice
1.569.	DHL Services Limited	31.	Do stakeholders agree that a new IORP Directive should allow for the Commission to adopt level 2 implementing measures regarding the calculation of technical provisions as introduced by Article 86 of Solvency II? No. We are opposed to this proposal which would give the Commission wide powers to impose additional requirements on IORPS without full scrutiny and accountability.	Noted
1.570.	DHL Trustees Limited	31.	Do stakeholders agree that a new IORP Directive should allow	Noted

			for the Commission to adopt level 2 implementing measures regarding the calculation of technical provisions as introduced by Article 86 of Solvency II? No. We are opposed to this proposal which would give the Commission wide powers to impose additional requirements on IORPS without full scrutiny and accountability.	
1.571.	Direction Générale du Trésor, Ministère des financ	31.	Yes we agree.	Noted
1.572.	Ecie vie	31.	Yes	Noted
1.573.	EEF	31.	No. EEF does not agree that the Commission should adopt level 2 implementing measures regarding the calculation of technical provisions. Member States have such different situations and priorities that such issues should firmly remain a matter of national competence. Given the impact on pensions, jobs and financial markets, these are issues that should remain subject to full political scrutiny and accountability.	Noted
1.574.	European Association of Public Sector Pension Inst	31.	Do stakeholders agree that a new IORP Directive should allow for the Commission to adopt level 2 implementing measures regarding the calculation of technical provisions as introduced by Article 86 of Solvency II? EAPSPI strongly suggests that the first steps to carry out in the review of the IORP Directive are Quantitative Impact Studies before any Level 1 decisions are taken. With respect to the	Noted, quantitative impact study and assessment added to advice

			essential consequences on the individual IORPs as well as on the pension system of Member States it is absolutely necessary to get impression of these changes in advance due to the variety of pension scheme arrangements and differences in benefits. Furthermore EAPSPI has strong objections to allow the Commission on the recommendation of EIOPA to adopt Level 2 implementing measures. The specific characteristics at the level of the Member States in form of security mechanisms and the relations of technical provisions regulations to Social and Labor Law must be respected. It must be seriously doubted that this is still possible if the Commission and EIOPA are enabled to adopt detailed Level 2 implementing measures as well as Level 3 technical specifications. This applies particularly with regard to the actuarial and statistical methodologies for calculating the best estimate and the relevant risk-free interest rate term structure to be used to calculate the best estimate. In addition it is essential to take into account the specific possibilities of benefit reductions in the Member States and the different security levels, which are often, in the case of public sector IORPs, the result of paritarian negotiations of representatives of employees and employers. In the end it must be accepted that an increase of security comes at the expense of a decrease of benefits – and the level of benefits is a political decision at the national level of Member States and not a technical implementing measure.	
1.575.	European Federation for Retirement Provision	31.	The EFRP strongly disagrees with the proposal that a new IORP directive should allow for the Commission to adopt level 2	Noted, quantitative impact study and

	(EFRP		implementing measures regarding the calculation of technical provisions as introduced by Article 86 of Solvency II. EFRP recommends that EIOPA should make it clear in its advice to the Commission that Quantitative Impact Studies – on the level of the effect for an individual IORP and on the level of the effects of total pension provision in Member States – should be undertaken before Level 1 measures are decided upon. The character of the pension benefit differs from Member State to Member State. As a result of the different characteristics of pension benefits, the way how technical provisions are calculated is also different. A relatively small change of the way technical provisions have to be calculated could have major consequences.	assessment added to advice
1.576.	European Metalworkers Federation	31.	See response question 22	Noted
1.577.	European Mine, Chemical and Energy workers' Fede	31.	See previous	Noted
1.578.	Federation of the Dutch Pension Funds	31.	We are deeply concerned about laying down the full set of technical measures with respect to the holistic balance sheet in Level 2 implementing measures. We feel that this new instrument is so new, complex and far reaching for the day to day management of a pension fund that a first impression of the concrete consequences is in order. We advise to undertake at least both a Qualitative and a Quantitative Impact Study regarding the holistic balance sheet before Level 1 measures are decided upon.	Noted, quantitative impact study and assessment added to advice
1.579.	Financial Reporting Council	31.	While this proposal appears reasonable we are concerned that the additional regulations will impose a disproportionate burden on IORPS.	Noted

			The existing IORP directive includes one article (15) on technical provisions. The Solvency II directive includes 11 articles (articles 76 to 86) concerning technical provisions. The current Level 2 implementing measures include a further 39 articles (Chapter III articles 12 – 50). There are likely to be a significant number of Level 3 guidelines on matters concerning technical provisions. This appears to be a very substantial increase in regulation. While an argument can be made for each of the proposed articles, when looked at as a whole we consider that the overall regulatory burden is disproportionate and will lead to a significant increase in cost for IORPs which will be met either by their members through lower pensions or their sponsors. The sponsor reaction might well be to consider closing down the IORP reducing members future pensions rights.	
1.580.	FNMF – Fédération Nationale de la Mutualité França	31.	FNMF does not agree on valuation principles based on market value.	Noted
1.581.	FNV Bondgenoten	31.	We are deeply concerned about laying down the full set of technical measures with respect to the holistic balance sheet in Level 2 implementing measures. We feel that this new instrument is so new, complex and far reaching for the day to day management of a pension fund that a first impression of the concrete consequences is in order. We advise to hold at least both a Qualitative and a Quantitative Impact Study regarding the holistic balance sheet before Level 1 measures are decided upon.	Noted, quantitative impact study and assessment added to advice
1.582.	Generali vie	31.	Yes	Noted
1.583.	German Institute of Pension Actuaries (IVS\32\45\3	31.	Subject to such measures taking account of the factors set out in our response to questions 12, we agree. These include allowing appropriately for national characteristics, insolvency protection	Noted

			systems, mechanisms for adjusting benefits, the characteristics of benefits under labour and social policy aspects. In particular, the necessary level of security mutually agreed between the social partners and the IORP at national level must be allowed for. In addition, a yield curve for determining the discount rate that adequately reflects the liability's character should be specified. In doing so, any limited rights that beneficiaries have to a surrender value can be allowed for, too.	
1.584.	Groupe Consultatif Actuariel Européen.	31.	Yes, to the extent necessary to ensure consistency of application, but the measures should be clear and simple to implement without imposing undue burden on IORPs. The amount of detail that has emerged at Level 2 for implementing the Solvency II directive is considered by most to be excessive and we would wish to see this avoided for IORPs.	Noted, potential administrative burden added as negative impact
1.585.	Groupement Français des Bancassureurs	31.	It is necessary to maintain a level playing field with providers of similar risks and to ensure greater and consistent members/beneficiaries protection. FBIA agrees that the new IORP Directive should allow for the Commission to adopt level 2 implementing measures regarding the calculation of technical provisions as introduced by Article 86 of the Solvency II Framework Directive.	Noted
1.586.	PMT-PME-Mn Services	31.	We are deeply concerned about laying down the full set of technical measures with respect to the holistic balance sheet in Level 2 implementing measures. We feel that this new instrument is so new, complex and far reaching for the day to day management of a pension fund that a first impression of the	Noted, quantitative impact study and assessment added to advice

			concrete consequences is in order. We advise to undertake at least both a Qualitative and a Quantitative Impact Study regarding the holistic balance sheet before Level 1 measures are decided upon.	
1.587.	HM Treasury/Department for Work and Pensions	31.	No – we disagree. Although the calculation of technical provisions involves a number of technical aspects, it is also profoundly political – indeed in Solvency II it has involved some of the most difficult political choices of the process (for example, the choice of the risk-free discount rate). Political issues need to be agreed in the level 1 Directive, not in level 2 implementing measures.	Noted
1.588.	Institute and Faculty of Actuaries (UK)	31.	As shown by insurance, the effect of changes to Level 2 provisions can be very substantial. If any change is to be imposed on UK IORPs we would therefore say that Level 2 provisions should subject to the same open and detailed consultation with stakeholders as for Level 1 provisions. Our further observation on the implementation of Solvency II within the insurance industry is that very substantial resource has had to be deployed. We recommend that analysis of the experience of implementing Solvency II in the insurance industry be studied so that lessons learned can be applied to any implementation for IORPs.	Noted, public consultation with stakeholder added to advice
1.589.	KPMG LLP (UK)	31.	We would caution against considering any significant volume of Level 2 provisions. This is likely to lead to a non-proportionate approach as principles become more rules-based, as seems to be happening with the insurance industry's ever-longer and more expensive implementation of Solvency II.	Noted, proportionality added to advice
1.590.	Le cercle des épargnants	31.	Yes	Noted
1.591.	Macfarlanes LLP	31.	(CfA 5 Valuation of assets, liabilities and technical provisions) Do	Noted

			stakeholders agree that a new IORP Directive should allow for the Commission to adopt level 2 implementing measures regarding the calculation of technical provisions as introduced by Article 86 of Solvency II? No. This would be inappropriate given the potential impact that potential changes could have on business. This should not be done other than at the highest level.	
1.593.	Mercer	31.	We agree that, depending on the decisions taken by the European Commission following receipt of the information provided to it by EIOPA in relation to Call for Advice 5, there might need to be provision for EIOPA to negotiate implementing measures with the member states supervisory authorities. However, this should be applied proportionately, respecting the different sizes and types of IORPs that are found in different member states, and should be subject to the same degree of consultation that would apply to Level 1 regulation.	Noted, public consultation and proportionality added to advice
1.594.	MHP (Vakcentrale voor Middengroepen en Hoger Perso	31.	We are deeply concerned about laying down the full set of technical measures with respect to the holistic balance sheet in Level 2 implementing measures. We feel that this new instrument is so new, complex and far reaching for the day to day management of a pension fund that a first impression of the concrete consequences is in order. We advise to undertake at least both a Qualitative and a Quantitative Impact Study regarding the holistic balance sheet before Level 1 measures are decided upon.	Noted, quantitative impact study and assessment added to advice
1.596.	National Association of	31.	Do stakeholders agree that a new IORP Directive should allow	Noted

	Pension Funds (NAPF)		for the Commission to adopt level 2 implementing measures regarding the calculation of technical provisions as introduced by Article 86 of Solvency II? Since the Treaty of Lisbon, the EU has required all key political issues to be set out in Directives, rather than in level 2 regulations. EIOPA should advise the EC to respect this requirement in its review of the IORP Directive. The NAPF would also argue that EIOPA and the EC should learn from the difficulties that the 'level 2' approach is now generating. The implementation of Solvency II is proving time-consuming and problematic, partly because important questions were left to be decided at level 2. The NAPF would strongly advise EIOPA and the EC to ensure that all key issues are resolved at the level 1 stage. Not only does this make the policy-making process more accountable, it also provides greater clarity and certainty for IORPs and helps to avoid the problems that the insurance sector is now encountering.	
1.598.	Pan-European Insurance Forum (PEIF)	31.	Assuming that the Solvency II Framework Directive is the model to follow, then we support EIOPA' view on Article 86. However, please see opening general comments. In any event, the regimes for IORPs and insurers should be consistent.	Noted
1.599.	Pensioenfonds Zorg en	31.	We are deeply concerned about laying down the full set of	Noted, quantitative

	Welzijn (PFZW)		technical measures with respect to the holistic balance sheet in Level 2 implementing measures. We feel that this new instrument is so new, complex and far reaching for the day to day management of a pension fund that a first impression of the concrete consequences is in order. We advise to undertake at least both a Qualitative and a Quantitative Impact Study regarding the holistic balance sheet before Level 1 measures are decided upon.	impact study and assessment added to advice
1.600.	Predica	31.	It is necessary to maintain a level playing field with providers of similar risks and to ensure greater and consistent members/beneficiaries protection. Predica agrees that the new IORP Directive should allow for the Commission to adopt level 2 implementing measures regarding the calculation of technical provisions as introduced by Article 86 of the Solvency II Framework Directive.	Noted
1.601.	prof.dr. A.A.J. Pelsser HonFIA, Netspar & Maastric	31.	Agree	Noted
1.602.	PTK (Sweden)	31.	PTK strongly disagrees with the proposal that a new IORP directive should allow for the Commission to adopt level 2 implementing measures regarding the calculation of technical provisions as introduced by Article 86 of Solvency II. PTK advices EIOPA to answer to the Commission that Quantitative Impact Studies – on the level of the effect for an individual IORP and on the level of the effects of total pension provision in Member States - regarding the revision of the IORP directive before Level 1 measures are decided upon. The	Noted, quantitative impact study and assessment added to advice

			character of the pension benefit differs from Member State to Member State. As a result of the different characteristics of pension benefits, also the way how technical provisions are calculated is different. A relative small change of the way technical provisions have to be calculated could have major consequences.	
1.603.	Railways Pension Trustee Company Limited ("RPTCL	31.	RPTCL does not agree with this. The introduction of measures such as these will not only have a huge impact on people's accrued pensions but they will also have a huge impact on the sustainability of those European defined benefit pension schemes which currently offer benefits in respect of future service. Furthermore, the Solvency II Directive for insurers is not fully operational until January 2013 and any consideration as to whether pension schemes should be subject to a regime based on the capital requirements of the Solvency II Directive should, as a minimum, await several years of practical experience of operating that new regime in the insurance industry.	Noted
1.604.	Reed Elsevier Group plc	31.	We believe that this would give too many powers to the Commission. We believe that all rules relating to the Articles should be available for debate and comment.	Noted, public consultation with stakeholders added to advice
1.606.	TCO	31.	TCO strongly disagrees with the proposal that a new IORP directive should allow for the Commission to adopt level 2 implementing measures regarding the calculation of technical provisions as introduced by Article 86 of Solvency II.	Noted, quantitative impact study and assessment added to advice

			TCO advises EIOPA to answer to the Commission that Quantitative Impact Studies – on the level of the effect for an individual IORP and on the level of the effects of total pension provision in Member States - regarding the revision of the IORP directive before Level 1 measures are decided upon. The character of the pension benefit differs from Member State to Member State. As a result of the different characteristics of pension benefits, also the way how technical provisions are calculated is different. A relative small change of the way technical provisions have to be calculated could have major consequences.	
1.607.	Tesco PLC	31.	14. Do stakeholders agree that a new IORP Directive should allow for the Commission to adopt level 2 implementing measures regarding the calculation of technical provisions as introduced by Article 86 of Solvency II? No. The decisions should have a huge impact on member pensions and corporate finances. They are too important to be left to level 2 measures that are not subject to full political scrutiny.	Noted
1.608.	The Association of Pension Foundations (Finland)	31.	IORPs differ from insurance company in size, by their characteristics and resources. It is not possible sufficiently to take consideration principle of proportionality. Different calculations might need considerable amount of workforce which would fully load pressure to pension funds with mostly outsourced services. Therefore calcultation principles should be as simple as possible. We oppose implementing article 86.	Noted, proportionality added to advice
1.609.	The Association of the Luxembourg Fund Industry (A	31.	The Respondents agree with EFRP and strongly disagrees with the proposal that a new IORP directive should allow for the Commission to adopt level 2 implementing measures regarding	Noted, quantitative impact assessment and study added to

			the calculation of technical provisions as introduced by Article 86 of Solvency II. The Respondents suggest that EIOPA advises the Commission that Quantitative Impact Studies – on the level of the effect for an individual IORP and on the level of the effects of total pension provision in Member States - in respect of the revision of the IORP directive be carried out before Level 1 measures are decided upon. The character of the pension benefit differs from Member State to Member State. As a result of the different characteristics of pension benefits, also the way how technical provisions are calculated is different. A relative small change of the way technical provisions have to be calculated could have major consequences.	advice
1.610.	The Hundred Group of Finance Directors (UK)	31.	We are opposed to this proposal which would seem to give the Commission wide powers to impose additional requirements on IORPS without full scrutiny and accountability.	Noted
1.611.	The Society of Actuaries in Ireland	31.	Future rules and regulations are not known at this time and cannot be commented upon.	Noted
1.612.	Towers Watson Deutschland GmbH	31.	The central question here is that of subsidiarity: is it necessary for the Commission to adopt all implementing measures or should national regulators be responsible for certain aspects? We believe that most implementing measures should be in the hands of national regulators, who can apply detailed knowledge of the circumstances of IORPs in their jurisdiction. If it is necessary to adopt implementing measures at EU level, these	Noted, quantitative impact study and assessments and public consultation added to advice

			should be the highest-level principles only, and subject to consultation and impact assessment before adoption.	
1.613.	Trades Union Congress (TUC)	31.	Do stakeholders agree that a new IORP Directive should allow for the Commission to adopt level 2 implementing measures regarding the calculation of technical provisions as introduced by Article 86 of Solvency II? We would advise that all key issues are resolved and adopted at level 1. This makes policy-making clearer and more accountable.	Noted
1.614.	Transport for London / TfL Pension Fund	31.	We believe that all the key issues, such as calculation of technical provisions covered here, should be dealt with at the level 1 stage, not at level 2. This is in order that there is sufficient accountability in the policy making process and avoids uncertainty for IORPs.	Noted
1.615.	UK Association of Pension Lawyers	31.	CfA 5 (Valuation of assets, liabilities and technical provisions): Do stakeholders agree that a new IORP Directive should allow for the Commission to adopt level 2 implementing measures regarding the calculation of technical provisions as introduced by Article 86 of Solvency II? We do not support the core premise of adapting Solvency II for the generality of IORPs or re-legislating for IORPs by reference to the single market or a level playing field with insurance companies without reference to whether the IORPs actually or potentially "act in a manner similar to insurance companies" or are genuinely and meaningfully competing or operating in the same market as insurance companies. See the general comments we make in relation to question 38 below. We have	Noted

			nonetheless provided a comment in response to the specific question raised here, in the interests of providing EIOPA with a UK technical legal perspective on this matter, but (to emphasise a point made in raised in part (2) of our general comments at the beginning of this document) our having commented on this question should not be interpreted as our having given explicit or implicit support to the proposition of applying Solvency II to the generality of IORPs. Furthermore, this comment can only be viewed as an initial thought in the absence of further consultation on the potential economic effects of Solvency II (see the concerns raised in part (3) of our general comments at the beginning of this document), and indeed in the absence of an opportunity to carry out a more detailed technical analysis of the proposals under consideration and of the likely practical consequences of implementing them (see the comments made in the last paragraph of part (1) of our general comments at the beginning of this document). With those important qualifications in mind, our comment in response to this specific question is: no, we do not think the Commission should be able to adopt level 2 implementing measures. The suggestion in paragraph 9.3.175 that "more detailed rules" would be required indicates that these measures will be inflexible and difficult for every scheme to adopt in the same way.	
1.616.	UNI Europa	31.	See question 22	Noted
1.617.	Universities Superannuation Scheme (USS),	31.	Do stakeholders agree that a new IORP Directive should allow for the Commission to adopt level 2 implementing measures regarding the calculation of technical provisions as introduced by Article 86 of Solvency II?	

1.618.	Verband der Firmenpensionskassen (VFPK) e.V.	31.	The methodologies used to calculate the provisions should reflect the national characteristics of the Member States . These include in particular security systems, possibilities for adaption, classification of the commitments of IORPs plus labour law-related and socio-political aspects. The level of security that the social partners and IORPs have agreed also has to be taken into account. Additional security is always at the cost of possible benefits. The partners at national level have sole competence for the assessment of the scope of benefits.	Noted
1.619.	VHP2 (Vakorganisatie voor middelbaar en hoger pers	31.	We are deeply concerned about laying down the full set of technical measures with respect to the holistic balance sheet in Level 2 implementing measures. We feel that this new instrument is so new, complex and far reaching for the day to day management of a pension fund that a first impression of the concrete consequences is in order. We advise to undertake at least both a Qualitative and a Quantitative Impact Study regarding the holistic balance sheet before Level 1 measures are decided upon.	Noted, quantitative impact study and assessment added to advice
1.620.	Whitbread Group PLC	31.	We see no reason for change to the current regulatory regime for UK pension schemes, which provides strong protection for member's pension benefits	Noted
1.621.	Zusatzversorgungskasse des Baugewerbes AG	31.	36. Many quantative impact studies within Solvency II showed that the most important burden derives from the calculation of technical provisions, especially from the design of the risk free discount curve. These are aspects whose details are fixed on level 2 within the Solvency II development. The most important aspects that decide about the future of the pension fund industry must however be decided on level 1. 37. We are worried because the technical measures regarding the holistic approach are part of level 2, and are not yet known.	Noted

			They can have far reaching consequences. We therefore urge to do more than one quantitative and qualitative impact study, before taking any binding decision on level 1.	
1.622.	Towers Watson	31.	32. Do stakeholders agree that a new IORP Directive should allow for the Commission to adopt level 2 implementing measures regarding the calculation of technical provisions as introduced by Article 86 of Solvency II? A key difference between insurers and IORPs is the significantly greater number of IORPs, and their very much smaller average size. There is therefore an imperative for proportionality to be embedded in any new regime for IORPs. A further key difference is the range of types of pension promise provided by IORPs, reflecting past social and labour law. Such differences need to be reflected equitably in the application of any new regime. Unlike insurers, UK IORPs are (as mentioned earlier – see responses to questions 12 and 18) also entirely dependent on their sponsors as a source of capital. The impact of any new regime on IORPs is therefore inextricably linked with the impact on their sponsors. It is therefore important to ensure that changes are implemented in an appropriate and flexible way that improves outcomes for members and minimises reliance on the Pension Protection Fund. Taking all these points into account, our view is that most implementing measures should be in the hands of national regulators, who can apply detailed knowledge of the circumstances of IORPs. If it is necessary to adopt implementing measures at EU level, these should be the highest-level principles only, and subject to consultation and impact assessment before adoption. Furthermore, implementing measures for IORPs should not be considered until sufficient	Noted, proportionality added to advice as well as negative impact that L2 rules may not fit national approaches

			experience has been obtained from implementing the corresponding measures for insurance companies.	
1.623.	OPSG (EIOPA Occupational Pensions Stakeholder Group)	32.	See question 13	Noted
1.624.	AbA Arbeitsgemeinschaft für betriebliche Altersver	32.	As we do not agree that methodologies used to calculate technical provisions should be harmonised at EU level, Article 15(5) of the IORP Directive should be maintained in order for the national supervisors to define implementing measures.	Noted, non-harmonised approach not within mandate
1.625.	ABVAKABO FNV	32.	We advocate not to harmonise the level of security offered in pensions, but only to provide rules regarding minimum requirements that would actually lead to the stated level of security. If this advice is followed, an article prohibiting additional rules would be redundant. On the other hand, even with a high level of harmonisation, we still think that ultimately the exact definition of rules is a matter of the individual Member States. We are therefore in favour of keeping Article 15(5) in a new IORP Directive	Noted, non-harmonised approach not within mandate
1.626.	AEIP	32.	72. We draw the attention to an answer to an earlier question. Social and labour law" of the host Member State should be interpreted widely enough to cover prudential regulation as well, if this is part of the social and labor law. 73. We suggest to provide only rules regarding minimum requirements. This will lead to a desired level of security. In that case an article prohibiting additional rules is redundant. For these reasons we support option 1: Art. 15 (5) of the current IORP directive should be retained.	Noted, non-harmonised approach not within mandate
1.627.	AFPEN (France)	32.	AFPEN strongly disagrees. The main message of the answer to question #33 applies here as well: Security and benefit aspects	Noted, non-harmonised approach

			cannot be separated; therefore changing the former implies changing the latter. But this is a strictly political issue and must remain under Member State competence to assure the consideration of national characteristics.	not within mandate
1.629.	AMICE	32.	AMICE is of the view that Member States should refrain from adding their own rules to the calculation of technical provisions, provided that the functioning of IORPs is brought to an acceptable level of harmonisation across Member States.	Noted, non-harmonised approach not within mandate
1.630.	AMONIS OFP	32.	Do stakeholders agree that individual Member States should not be permitted to set additional rules in relation to the calculation of technical provisions as currently allowed under Article 15(5) of the IORP Directive? ☐ We suggest providing only rules regarding minimum requirements. This will lead to a desired level of security. In that case an article prohibiting additional rules is redundant. For these reasons we support option 1: Art. 15 (5) of the current IORP directive should be retained.	Noted, non-harmonised approach not within mandate
1.631.	ANIA – Association of Italian Insurers	32.	As the aim should be to facilitate cross border activities and - as highlighted by the Commission -, to attain a level of harmonization, additional requirements at national level (paragraph 7.1 of the CfA), article 15(5) are no longer required. However, this provision can only be removed provided sufficient harmonisation has been achieved which properly reflects the nature of IORPs across the Member States.	Noted
1.632.	Association of British Insurers	32.	The ABI agrees that Member States should not be allowed to introduce additional rules. Allowing Member States too much freedom to impose additional measures would encourage gold-plating and lead to regulatory arbitrage, particularly for cross-border schemes. However, this provision can only be removed provided sufficient allowance is made in the review to accurately	Noted

			reflect the nature of the various IORPs across Member States.	
1.633.	Association of Consulting Actuaries (UK)	32.	Given the issues about differences in IORP design between Member States, we suspect that there will need to be some additional guidance by each Member State to deal with specifically local issues.	Noted
1.634.	Association of French Insurers (FFSA)	32.	As the aim should be to facilitate cross border activities and, as addressed by the Commission, to attain a level of harmonization where EU legislation does not need additional requirements at national level (paragraph 7.1 of the CfA), article 15(5) is no longer required otherwise the HBS would be questioned in the development of cross border activity.	Noted
1.635.	Association of Pensioneer Trustees in Ireland	32.	See response to question 12.	Noted
1.636.	Assoprevidenza – Italian Association for supplemen	32.	We suggest to provide only rules regarding minimum requirements. This will lead to a desired level of security. In that case an article prohibiting additional rules is redundant and in any case iadditional rules will be cohetent with mesures decided on level 2 .	Noted, non-harmonised approach not within mandate
1.637.	Assuralia	32.	Cfr. Q. 12 The extremely short delay for responding to the technical consultation document has forced the members of Assuralia to prioritize and to focus on a number of questions. Our lack of response to this question must not be regarded as a lack of interest or opinion.	Noted

1.638.	Belgian Association of Pension Institutions (BVPI-	32.	Do stakeholders agree that individual Member States should not be permitted to set additional rules in relation to the calculation of technical provisions as currently allowed under Article 15(5) of the IORP Directive? 6. We suggest providing only rules regarding minimum requirements. This will lead to a desired level of security. In that case an article prohibiting additional rules is redundant. For these reasons we support option 1: Art. 15 (5) of the current IORP directive should be retained.	Noted, non-harmonised approach not within mandate
1.639.	BNP Paribas Cardif	32.	As the aim should be to facilitate cross border activities and, as addressed by the Commission, to attain a level of harmonization where EU legislation does not need additional requirements at national level (paragraph 7.1 of the CfA), article 15(5) is no longer required otherwise the HBS would be questioned in the development of cross border activity.	Noted
1.640.	Bosch Pensionsfonds AG	32.	Yes. MS options should be avoided in IORP II wherever possible - they constitute obstacles for cross-border activity, allow “gold plating” through additional national regulation and could give rise to supervisory arbitrage.	Noted
1.641.	Bosch-Group	32.	Yes. MS options should be avoided in IORP II wherever possible - they constitute obstacles for cross-border activity, allow “gold plating” through additional national regulation and could give rise to supervisory arbitrage.	Noted
1.642.	BT Group plc	32.	Do stakeholders agree that individual Member States should not be permitted to set additional rules in relation to the calculation of technical provisions as currently allowed under Article 15(5) of the IORP Directive?	Noted, non-harmonised approach not within mandate

			No. This would be a direct contravention of the principle of subsidiarity. The differences between Member States individual social and labour laws is too great for a simple "one size fits all" approach. Pensions remain a Member State competence and EU policy should be restricted to matters connected with Internal Market policy.	
1.643.	BT Pension Scheme Management Ltd	32.	We agree to this proposal only on the understanding that the implementing rules proposed by EIOPA will incorporate appropriate flexibility and proportionality as is necessary to reflect the different natures and scales of IORPs across the EU. We note that pensions are a member state competence and so authority needs to be devolved to the appropriate level.	Noted
1.644.	CEA	32.	As the aim should be to facilitate cross border activities and - as highlighted by the Commission -, to attain a level of harmonisation, additional requirements at national level (paragraph 7.1 of the CfA), article 15(5) are no longer required. However, this provision can only be removed provided sufficient harmonisation has been achieved which properly reflects the nature of IORPs across the Member States.	Noted
1.645.	Charles CRONIN	32.	I agree with EIOPA's advice that Member States should not be permitted to set additional rules in relation to the calculation of technical provisions. I support the approach for greater harmonisation and hence the deletion of the current IORP Article 15(5).	Noted
1.646.	Chris Barnard	32.	Ideally, Member States should not be permitted to set additional rules in relation to the calculation of technical provisions as currently allowed under Article 15(5) of the IORP Directive. But this depends on achieving a sufficient degree of harmonisation that would reflect the nature of IORPs across Member States.	Noted

1.647.	CMHF (Centrale van Middelbare en Hogere Functionar	32.	We advocate not to harmonise the level of security offered in pensions, but only to provide rules regarding minimum requirements that would actually lead to the stated level of security. If this advice is followed, an article prohibiting additional rules would be redundant. On the other hand, even with a high level of harmonisation, we still think that ultimately the exact definition of rules is a matter of the individual Member States. We are therefore in favour of keeping Article 15(5) in a new IORP Directive	Noted, non-harmonised approach not within mandate
1.648.	De Unie (Vakorganisatie voor werk, inkomen en loop	32.	We advocate not to harmonise the level of security offered in pensions, but only to provide rules regarding minimum requirements that would actually lead to the stated level of security. If this advice is followed, an article prohibiting additional rules would be redundant. On the other hand, even with a high level of harmonisation, we still think that ultimately the exact definition of rules is a matter of the individual Member States. We are therefore in favour of keeping Article 15(5) in a new IORP Directive	Noted, non-harmonised approach not within mandate
1.649.	Direction Générale du Trésor, Ministère des financ	32.	Yes we agree that no additional rules should be set up by individual member States.	Noted
1.650.	Ecie vie	32.	Yes	Noted
1.651.	EEF	32.	No. A prohibition on Member States being allowed to tailor the calculation of technical provisions would be a direct contravention of the principle of subsidiarity; pensions remains a Member State competence. Such a proposal goes beyond matters connected with internal market policy and the scope of the IORP Directive.	Noted, non-harmonised approach not within mandate
1.652.	European Association of	32.	Do stakeholders agree that individual Member States should not	Noted, non-

	Public Sector Pension Inst		be permitted to set additional rules in relation to the calculation of technical provisions as currently allowed under Article 15(5) of the IORP Directive? EAPSPI strongly disagrees. The main message of the answer to question #31 applies here as well: Security and benefit aspects cannot be separated; therefore changing the former implies changing the latter. But this is a strictly political issue and must remain under Member State competence to assure the consideration of national characteristics.	harmonised approach not within mandate
1.653.	European Federation for Retirement Provision (EFRP	32.	No, the EFRP disagrees. This would be a direct contravention of the principle of subsidiary. Pensions remain a Member State competence.	Noted, non-harmonised approach not within mandate
1.654.	European Metalworkers Federation	32.	See response question 22	Noted
1.655.	European Mine, Chemical and Energy workers' Fede	32.	See previous	Noted
1.656.	Federation of the Dutch Pension Funds	32.	We advocate not to harmonise the level of security offered in pensions, but only to provide rules regarding minimum requirements that would actually lead to the stated level of security. If this advice is followed, an article prohibiting additional rules would be redundant. On the other hand, even with a high level of harmonisation, we still think that ultimately the exact definition of rules is a matter of the individual Member States. We are therefore in favour of keeping Article 15(5) in a new IORP Directive	Noted, non-harmonised approach not within mandate
1.657.	Financial Reporting	32.	There might be specific circumstances where a Member State	Noted, made

	Council		might wish to set additional rules in order to protect benefits. We see no reason for preventing this so long as there are valid reasons for setting additional rules. However it should be noted that if one state is allowed to set more stringent funding standards than another then this might undermine cross-border schemes. We do not understand EIOPA's reasoning for stating that the option of no change is inconsistent with the holistic balance sheet approach.	correction that no change is not in line with CfA's objective of harmonisation
1.658.	FNMF – Fédération Nationale de la Mutualité França	32.	FNMF does not agree on valuation principles based on market value.	Noted
1.659.	FNV Bondgenoten	32.	We advocate not to harmonise the level of security offered in pensions, but only to provide rules regarding minimum requirements that would actually lead to the stated level of security. If this advice is followed, an article prohibiting additional rules would be redundant. On the other hand, even with a high level of harmonisation, we still think that ultimately the exact definition of rules is a matter of the individual Member States. We are therefore in favour of keeping Article 15(5) in a new IORP Directive	Noted, non-harmonised approach not within mandate
1.660.	Generali vie	32.	Yes	Noted
1.661.	German Institute of Pension Actuaries (IVS\32\45\3	32.	We disagree. For the reasons stated above, the national supervisor should be given the freedom to set additional rules so that the specific characteristics of IORPs in their area of jurisdiction can be appropriately catered for.	Noted, non-harmonised approach not within mandate
1.662.	Groupe Consultatif Actuariel Européen.	32.	Under our preference (see answer to Q 21) we would envisage Member States continuing to have the power to set additional	Noted, non-harmonised approach

			rules in relation to Level B technical provisions in order to reflect the unique circumstances of social and labour law in each Member State.	not within mandate
1.663.	Groupement Français des Bancassureurs	32.	As the aim should be to facilitate cross border activities and, as addressed by the Commission, to attain a level of harmonization where EU legislation does not need additional requirements at national level (paragraph 7.1 of the CfA), article 15(5) is no longer required otherwise the HBS would be questioned in the development of cross border activity.	Noted
1.664.	PMT-PME-Mn Services	32.	We advocate not to harmonise the level of security offered in pensions, but only to provide rules regarding minimum requirements that would actually lead to the stated level of security. If this advice is followed, an article prohibiting additional rules would be redundant. On the other hand, even with a high level of harmonisation, we still think that ultimately the exact definition of rules is a matter of the individual Member States. We are therefore in favour of keeping Article 15(5) in a new IORP Directive	Noted, non-harmonised approach not within mandate
1.665.	HM Treasury/Department for Work and Pensions	32.	No – we strongly disagree. It would only be possible to remove the right of individual Member States or national supervisors to set additional rules if maximum harmonisation was introduced. However, no case for maximum harmonisation has been made, and it is clear that the costs of doing so would massively outweigh any benefits. We therefore strongly disagree with either the introduction of maximum harmonising rules, or the removal of the power of individual Member States to set additional rules.	Noted, non-harmonised approach not within mandate

1.666.	Institute and Faculty of Actuaries (UK)	32.	This is essentially a political question. If harmonisation of measurement is the key goal then it should not be allowed. However if a practical outcome dictates that the unique circumstances of social and labour laws in some Member States requires it then it should be allowed.	Noted
1.667.	KPMG LLP (UK)	32.	This is a political question.	Noted
1.668.	Le cercle des épargnants	32.	Yes	Noted
1.669.	Macfarlanes LLP	32.	(CfA 5 Valuation of assets, liabilities and technical provisions) Do stakeholders agree that individual Member States should not be permitted to set additional rules in relation to the calculation of technical provisions as currently allowed under Article 15(5) of the IORP Directive? Individual Member States should not be able to make the calculation of technical provisions more difficult. The current Directive provides an appropriate framework.	Noted
1.671.	Mercer	32.	If the rules are intended to address differences in the member state's provision and help the Directive meet its objectives, then we have no objection to this.	Noted
1.672.	MHP (Vakcentrale voor Middengroepen en Hoger Perso	32.	We advocate not to harmonise the level of security offered in pensions, but only to provide rules regarding minimum requirements that would actually lead to the stated level of security. If this advice is followed, an article prohibiting additional rules would be redundant. On the other hand, even with a high level of harmonisation, we	Noted, non-harmonised approach not within mandate

			still think that ultimately the exact definition of rules is a matter of the individual Member States. We are therefore in favour of keeping Article 15(5) in a new IORP Directive	
1.674.	National Association of Pension Funds (NAPF)	32.	Do stakeholders agree that individual Member States should not be permitted to set additional rules in relation to the calculation of technical provisions as currently allowed under Article 15(5) of the IORP Directive? Pension scheme funding remains a Member State competence. The NAPF has already argued that maximum harmonisation is inappropriate for IORPs, due to the sheer variety of pension systems across EU Member States. We do not, therefore, accept EIOPA's argument that Article 15(5) should be removed. This Article plays an important role in giving national-level supervisors the power to take the measures they judge necessary to ensure that their IORPs are well funded. The NAPF is concerned that removing Article 15(5) would weaken protection for members, rather than strengthen it.	Noted, non-harmonised approach not within mandate
1.676.	Pan-European Insurance Forum (PEIF)	32.	Assuming that there is sufficient harmonization on calculating technical provisions, individual Member States should not be permitted to set their own additional rules in relation to the	Noted

			calculation of technical provision.	
1.677.	Pensioenfonds Zorg en Welzijn (PFZW)	32.	We advocate not to harmonise the level of security offered in pensions, but only to provide rules regarding minimum requirements that would actually lead to the stated level of security. If this advice is followed, an article prohibiting additional rules would be redundant. On the other hand, even with a high level of harmonisation, we still think that ultimately the exact definition of rules is a matter of the individual Member States. We are therefore in favour of keeping Article 15(5) in a new IORP Directive	Noted, non-harmonised approach not within mandate
1.678.	Predica	32.	As the aim should be to facilitate cross border activities and, as addressed by the Commission, to attain a level of harmonization where EU legislation does not need additional requirements at national level (paragraph 7.1 of the CfA), article 15(5) is no longer required otherwise the HBS would be questioned in the development of cross border activity.	Noted
1.679.	prof.dr. A.A.J. Pelsser HonFIA, Netspar & Maastric	32.	Do not agree. Member states should retain the possibility to lay down more detailed rules for the calculation of technical provisions.	Noted, non-harmonised approach not within mandate
1.680.	PTK (Sweden)	32.	No, PTK disagrees. This would be a direct contravention of the principle of subsidiary. Pensions remain a Member State competence.	Noted, non-harmonised approach not within mandate
1.681.	Railways Pension Trustee Company Limited ("RPTCL	32.	RPTCL does not agree with this. Pension provision in the EU varies considerably from one Member State to another. Member States should retain flexibility to set additional rules in relation to the calculation of technical provisions in a manner that best aligns with social and employment legislation in the Member	Noted, non-harmonised approach not within mandate

			State.	
1.683.	TCO	32.	No, TCO disagrees. This would be a direct contravention of the principle of subsidiary. Pensions remain a Member State competence.	Noted, non-harmonised approach not within mandate
1.684.	Tesco PLC	32.	15. Do stakeholders agree that individual Member States should not be permitted to set additional rules in relation to the calculation of technical provisions as currently allowed under Noted, non-harmonised approach not within mandate Article 15(5) of the IORP Directive? No. This would be a direct contravention of the principle of subsidiarity. Pensions remain a Member State competence.	Noted
1.685.	The Association of the Luxembourg Fund Industry (A	32.	The Respondents believe that no additional rules should be set up by member states. We believe that member states should not be permitted to set up additional rules for the calculation of technical provisions for cross-border IORPs, this in order to increase the number of cross-border IORPs.	Noted
1.686.	The Society of Actuaries in Ireland	32.	We do not support the view that Member States should not be permitted to set additional rules in relation to the calculation of technical provisions as currently allowed under Article 15(5) of the IORP Directive. We are of the opinion that maximum harmonisation in relation to scheme governance is not possible and the outcome will be a minimum level of harmonisation across Member States. For those existing Member States which currently have an existing framework that provides greater security for benefits than the proposed regime, it would be appropriate to allow them to set additional rules than those currently allowed under Article 15(5) of the IORP Directive.	Noted, non-harmonised approach not within mandate

1.687.	Towers Watson Deutschland GmbH	32.	We disagree. For the reasons stated above, the national supervisor should be given sufficient freedom to set additional rules so that the specific characteristics of IORPs in their area of jurisdiction can be appropriately and flexibly catered for.	Noted, non-harmonised approach not within mandate
1.688.	Trades Union Congress (TUC)	32.	Do stakeholders agree that individual Member States should not be permitted to set additional rules in relation to the calculation of technical provisions as currently allowed under Article 15(5) of the IORP Directive? As set out above we do not support the harmonisation of the calculation of technical provisions. We therefore reject the deletion of Article 15(5).	Noted, non-harmonised approach not within mandate
1.689.	Transport for London / TfL Pension Fund	32.	We do not agree that individual Member states should be prevented from setting additional rules in relation to the calculation of technical provisions. The proper supervision of the diversity of pension arrangements is supported by giving national supervisers sufficient powers not by stopping them exercising these powers.	Noted, non-harmonised approach not within mandate
1.690.	UK Association of Pension Lawyers	32.	CfA 5 (Valuation of assets, liabilities and technical provisions): Do stakeholders agree that individual Member States should not be permitted to set additional rules in relation to the calculation of technical provisions as currently allowed under Article 15(5) of the IORP Directive? We do not support the core premise of adapting Solvency II for the generality of IORPs or re-legislating for IORPs by reference	Noted, non-harmonised approach not within mandate

			to the single market or a level playing field with insurance companies without reference to whether the IORPs actually or potentially “act in a manner similar to insurance companies” or are genuinely and meaningfully competing or operating in the same market as insurance companies. See the general comments we make in relation to question 38 below. We have nonetheless provided a comment in response to the specific question raised here, in the interests of providing EIOPA with a UK technical legal perspective on this matter, but (to emphasise a point made in raised in part (2) of our general comments at the beginning of this document) our having commented on this question should not be interpreted as our having given explicit or implicit support to the proposition of applying Solvency II to the generality of IORPs. Furthermore, this comment can only be viewed as an initial thought in the absence of further consultation on the potential economic effects of Solvency II (see the concerns raised in part (3) of our general comments at the beginning of this document), and indeed in the absence of an opportunity to carry out a more detailed technical analysis of the proposals under consideration and of the likely practical consequences of implementing them (see the comments made in the last paragraph of part (1) of our general comments at the beginning of this document). With those important qualifications in mind, our comment in response to this specific question is: no, we do not agree. Individual Member States should be allowed to implement their own additional rules in relation to the calculation of technical provisions. Given the significant differences in relation to how IORPs are structured and funded in different Member States and the inherent complexity in the IORP system used in each Member State (complexities which are necessarily difficult to convey at the European Union level of policy formation), we believe that enabling some degree of flexibility is desirable and	

			indeed that not allowing flexibility would be dangerous given the risk of unintended consequences. We do not believe that the desirability of harmonisation of regulatory requirements governing IORPs between Member States is such that it should necessarily outweigh other important considerations to the extent that the imposition of harmonisation should be pursued at the cost of substantial negative effects in other areas – see our response to question 12 above for more detailed comments on this point.	
1.691.	UNI Europa	32.	See question 22	Noted
1.692.	Universities Superannuation Scheme (USS),	32.	Do stakeholders agree that individual Member States should not be permitted to set additional rules in relation to the calculation of technical provisions as currently allowed under Article 15(5) of the IORP Directive? Pension scheme funding remains a Member State competence. USS has already argued that maximum harmonisation is inappropriate for IORPs, due to the sheer variety of pension systems across EU Member States. We do not, therefore, accept EIOPA's argument that Article 15(5) should be removed. This Article plays an important role in giving national-level supervisors the power to take the measures they judge necessary to ensure that their IORPs are well funded.	Noted, non-harmonised approach not within mandate

1.693.	Verband der Firmenpensionskassen (VFPK) e.V.	32.	For the above mentioned reasons should the national supervisory authorities should also be able to determine any further specifications and thus adequately take the national characteristics of the insurance business resp. the company pensions into accout.	Noted, non-harmonised approach not within mandate
1.694.	VHP2 (Vakorganisatie voor middelbaar en hoger pers	32.	We advocate not to harmonise the level of security offered in pensions, but only to provide rules regarding minimum requirements that would actually lead to the stated level of security. If this advice is followed, an article prohibiting additional rules would be redundant. On the other hand, even with a high level of harmonisation, we still think that ultimately the exact definition of rules is a matter of the individual Member States. We are therefore in favour of keeping Article 15(5) in a new IORP Directive	Noted, non-harmonised approach not within mandate
1.695.	Whitbread Group PLC	32.	We see no reason for change to the current regulatory regime for UK pension schemes, which provides strong protection for member's pension benefits	Noted, non-harmonised approach not within mandate
1.696.	Zusatzversorgungskasse des Baugewerbes AG	32.	38. We support option 1: Art. 15 (5) of the current IORP directive should be retained due to the fact that all other methodologies presented by the application of an inappropriate regulatory framework like Solvency II do not achieve a harmonized level of security neither.	Noted, non-harmonised approach not within mandate
1.697.	Towers Watson	32.	33. Do stakeholders agree that individual Member States should not be permitted to set additional rules in relation to the calculation of technical provisions as currently allowed under Article 15(5) of the IORP Directive? If the intention is to harmonise the calculation of technical provisions to a degree that additional rules at a national level are not necessary, then it would clearly be inappropriate to	Noted, non-harmonised approach not within mandate

			permit Member States to adopt additional rules. However, our responses to earlier questions have emphasised the need for flexibility at a national level to ensure the best outcomes for IORP members. We believe that this is paramount. Interpretation at a national level might also be appropriate and relevant to reflect the different nature of pension promises in some Member States. We believe that the Directive should permit this flexibility at national level. It is not saying that Member States should be able to adopt different rules for technical provisions.	
1.698.	OPSG (EIOPA Occupational Pensions Stakeholder Group)	33.	See question 13	Noted
1.699.	AbA Arbeitsgemeinschaft für betriebliche Altersver	33.	As described above, we do not agree with the holistic balance sheet approach nor do we agree that risk-based capital requirements are appropriate for IORPs. We believe that own funds are unnecessary in a system where the IORP has employer support coupled with an insolvency protection scheme. Our rejection of the holistic balance sheet approach is based in part on the difficulty in valuing the employer support. Not only would this be a highly complex and therefore potentially costly exercise, it also carries the risk that the sponsor would be required to disclose the value of its commitment in its own financial statements. Such a development would have a dramatic impact on the appetite of corporates to sponsor occupational pensions. Should the Commission nevertheless pursue this matter, we would suggest considering an approach which reflects the	Noted, non-harmonised approach not within mandate. Possibility of inclusion in financial statements is added as negative impact.

			complementary nature of the employer support and insolvency protection scheme, which together would create a uniform level of protection across the Member State. As such, this risk mitigating mechanism could be reflected as a uniform factor applicable to all IORPs in the Member State. For employer-backed IORPs with additional PPS, Component 7 should not be interpreted as a calculated (by evaluation) asset position. Instead it has to be interpreted as a flexible compensation position. Regardless of the definition of capital requirements, Component 7 has to be regarded as an asset to fulfil any solvency capital requirement the IORP might face. In any event component 7 has to be qualified as an equivalent to financial assets. In addition, as stipulated in 10.6.22, benefit reduction mechanisms must be allowed to be recognised as lowering impact on technical provisions.	
1.700.	ABVAKABO FNV	33.	We agree that sponsor support should play a role in the assessment of the security level provided. We also agree that theoretically, the valuation framework under the holistic balance sheet offers attractive possibilities to achieve this. We are however very concerned with the complexity involved and the subjectivity regarding the determination of certain parameters necessary. This subjectivity may lead to substantial differences in the assessment of the sponsor support between the IORP and the supervisor that may prove difficult to resolve. We therefore urge EIOPA to also consider investigating simpler methods to allow for capital relief in case of sponsor support.	Noted
1.701.	AEIP	33.	74. We are concerned about the complexity and the subjectivity when determining parameters if this would be part of a holistic balance sheet. There should be more simple methods to allow for taking sponsor support into account, not in monetary terms. We fear that this might lead to an obligation to	Noted

			recognise the same amount in the sponsors balance sheet. Specificities of industrie wide IORPs on a collective agreement basis, for instance a large number of sponsoring employers, as well as the feasibility of some of such IORPs to combine increases in contributions and subsidiary liability forms of sponsor support have to be recognised in a proportionate way.	
1.702.	AFPEN (France)	33.	103. EIOPA has introduced a possibility to integrate the sponsor support as additional asset in form of the Holistic Balance Sheet (HBS). A comprehensive argumentation why a valuation of sponsor support in form of the HBS does not change the situation for the better but makes it even worse is delivered in the answer to question #12. 104. AFPEN wants to recall the main points with respect to the sponsor support: It is impossible to find serious quantitative values for the sponsor support due to the nature of this asset. If there exists a legal obligation to pay in cases of emergency in full this indeed would mean that a new liability up to the amount of which the IORP will need to close its market-value balance sheets appears in the balance sheets of the sponsor–the sponsor would be immediately financially over-indebted. The consequence would be the termination of occupational pension retirement provisions and the disappearance of many IORPs on a large scale. Left over is what could be named the “Holistic Balance Sheet Paradox”: The security level for the employees is exactly the same as before, economically speaking nothing changes, but with the HBS costs have increased dramatically. The existing security mechanisms today already safeguard with low cost exactly that level of security which shall be created with pretended quantitative precision in the new regulation regime for much higher cost (better case) if not for the price of termination	Noted

			of existing pension scheme arrangements (worst case)!	
1.704.	AMICE	33.	AMICE members are in favour of valuing sponsor support as an asset; they argue that full transparency of the sponsor support should be required. Overall, we support a harmonized approach.	Noted
1.705.	AMONIS OFP	33.	What is the stakeholders' view on the analysis regarding sponsor support? Do stakeholders agree with EIOPA that IORPs should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement? One of the great advantages of an IORP is that it has the ability of risk mitigating mechanisms, like sponsor support. Sponsor support is an instrument to provide pension security and therefore has to be taking into account. However it is hard to quantify this kind of support, and attempting this could lead to funding though a liability position on the employer's balance sheet. The same holds for other kind of risk mitigating mechanisms, just like for example a pension protection scheme. AMONIS OFP rejects the idea of imposing capital requirements based on mark-to market valuation of liabilities as a general rule and their implementation in the holistic balance sheet. However if the European Commission would go through with this idea, we would like to give the following comments. ☐ There should be more simple methods to allow for taking sponsor support into account, not in monetary terms and without presenting it in a Holistic Balance Sheet (e.g. mentioning it off balance, as is done today).	Noted, non-harmonised approach not within mandate. Possibility of inclusion in financial statements is added as negative impact.

			AMONIS OFP is strongly worried about valuating the sponsor covenant: ☐ Valuating the sponsor covenant seems not only be highly complex (and thus sensible to model risks) and therefore potentially costly exercise, it also carries the risk that the sponsor would be required to disclose the value of its commitment in its own financial statements. Several auditors confirm that there is a real probability that if a sponsor covenant is valuated in the IORP, they will probably require the sponsor to recognise the same amount in the sponsors balance sheet (even if this does not cover liabilities, but only potential risks). ☐ If such recognition in the financial statements of the sponsor would be required by the auditors of the employer, this would have an enormous negative impact on the employer and his competitive stance. ☐ ☐ Such development would have a dramatic impact on the appetite of corporates to sponsor occupational pensions or would in the best case lead to a transfer of the benefits to other vehicles which are not subjected to the holistic balance sheet (but which might not necessarily give the same protection to the members).	
1.706.	ANIA – Association of Italian Insurers	33.	The concrete method of valuation should be the outcome of a carefully executed QIS. As such, the ANIA will express a	Noted

			preference for any of the options after such a QIS and on the basis of additional information on the valuation under the different options. In any case, it is important that the solution ensures security for the members and beneficiaries and is consistent with Solvency II principles. Transitional periods may be needed in this regard. Additionally, the ANIA supports the view that the sponsor covenant payable to the IORP should be taken into account but only if the sponsor covenant is legally enforceable and verifiable. Moreover, evaluation methods that avoid technically complicated calculations should be chosen.	
1.707.	Association of British Insurers	33.	The ABI would support EIOPA's view of valuing the sponsor covenant as an asset and take account of their risk-mitigating effect in the calculation of the SCR. This would however depend entirely on how the sponsor covenant would be valued.	Noted
1.708.	Association of Consulting Actuaries (UK)	33.	We notice that the relevant conclusion section in the EIOPA consultation, paragraph 9.3.223, does not contain an impact assessment. As described in our response to question 12, the "holistic balance sheet" as proposed is, in practice, unworkable. The difficulties with placing formal monetary value on the strength of the sponsor covenant are massively understated in the consultation. Practical experience in the UK demonstrates such assessments are prone - either to be hugely expensive, multi-disciplinary and time-consuming exercises, - or to be shallow, for example the Dun & Bradstreet analysis used for the UK Pension Protection Fund, which we assume is the arrangement referred to in paragraph 9.3.202,	Noted, non-harmonised approach not within mandate

			- or to be incomplete, for example relying on corporate bonds or credit default swaps to give an indication of default risk, when many sponsors are not involved in such instruments. Even a limited exercise such as the valuation of intangible assets such as "brand" is fraught with difficulty and subjective opinion. In addition consider for example a sponsor which has substantial free cash reserves on its balance sheet at the date of the valuation but where the parent could "sweep" the cash overnight (c.f. Lehmans, where billions were transferred to the USA very shortly (hours) prior to collapse). What is the value of such a covenant? And if you cannot legally and formally count on it, why attempt to account for it? You could very easily paint a misleadingly gloomy or rosy picture. Either would be equally bad. Consider also the difficulties of disclosure, particularly with overseas (e.g. Japanese) parent companies in private ownership, who are and continue to be wholly supportive of the IORP but which will not make (wide) disclosure of their management accounts? Finally we would note that there is no evidence that the current UK system of covenant assessment is so flawed as to require an EU approach to be prescribed.	
1.709.	Association of French Insurers (FFSA)	33.	49. The FFSA does not support treating the sponsor support as an asset but suggests treating sponsor support and sponsor covenant as ancillary own funds. Sponsor support should not be seen as reinsurance since the sponsor is out of the scope of IORP directive whereas reinsurer is itself regulated under Solvency II type regime. 50. The FFSA believes that the treatment of the sponsor covenant as ancillary own funds is the best approach as the availability of cover has to be proven to the authorities. Articles 89 and following of the Solvency II Directive Framework provide	Noted

			a definition of ancillary own funds that perfectly match with sponsor covenants. 51. The current EIOPA proposal seems dangerous in that it tends to value an asset (without any compensation on the liability side in the sponsor accounting statement), and lower the SCR. 52. An IORP, even under funded, would easily meet its capital requirements and would even be encouraged to do so. If sponsor covenant were to be considered as an asset, assessment should be similar to reinsurance (cf. article 81 of the Solvency II Directive). Default risk should be taken into account.	
1.710.	Association of Pensioneer Trustees in Ireland	33.	See response to question 12.	Noted
1.711.	Assoprevidenza – Italian Association for supplemen	33.	We agree with this proposal. We find that this is of utmost importance for an appropriate security system for pension funds.	Noted
1.712.	Assuralia	33.	What is the stakeholders' view on the analysis regarding sponsor support? Do stakeholders agree with EIOPA that IORPs should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement? The members of Assuralia are managing more than 80% of occupational pensions in Belgium. They include mutual, co-operative, joint-stock and limited insurance companies. The response hereunder needs to be understood together with the following remarks:	Noted

			1/ With state pensions under pressure it is necessary to ensure that occupational pensions are safe and affordable. Prudential rules and capital requirements for long-term pension business must consistently protect all pension beneficiaries, regardless of whether they are affiliated with an insurance company or an IORP. 2/ Prudential rules and capital requirements must respect the long-term perspective of occupational pension provision without resulting in excessive volatility of own funds and solvency ratios.☐ The European Commission and the European Parliament are presently considering these issues in the context of the Omnibus II directive and the Solvency II implementing measures. 3/ To the extent that differences between regimes are not justified (as stated by draft response nr. 2.6.2), Solvency II and IORP II need to be aligned in order to achieve a consistent level of protection of beneficiaries: a) With regard to the pension institutions, there seems to be no reason not to apply a prudential regime equivalent to Solvency II to IORPs to the extent that they bear a certain risk (e.g. operational risk). This goes both for quantitative and qualitative requirements. b) With regard to the pension obligation as such, Solvency II rules seem to be adequate to quantify at least the liabilities of the total pension obligation. On the asset side, we would suggest a very cautious approach with regard to the idea of recognizing sponsor covenants and pension protection plans as assets to cover the liabilities of an IORP in the newly proposed Holistic Balance Sheet (HBS). Appropriate transitional regimes and	

			sufficiently long recovery periods may be a better alternative to cope with a situation where the tangible assets held by IORPs do not cover pension liabilities sufficiently. 4/ The objective of European prudential requirements is to ensure that beneficiaries all over the EU can reasonably trust that they will effectively receive the occupational pension benefits that have been promised to them (harmonized security level).☐ These requirements set the practical and financial boundaries of what can realistically be promised and therefore need to be respected by national rules and agreements in the social field. Sponsor support A sponsor covenant is a financial resource for any pension vehicle. To the extend that a sponsor covenant is solid and situated within the time horizon used to determine the security level of the pension plan, one could fairly regard it as an asset. A number of comments in this regard: 1/ Sponsor covenants that do not legally or contractually oblige the employer to finance the IORP cannot be taken into account as an asset to cover the liabilities of the IORP. 2/ The value of the sponsor covenant as an asset depends on the financial strength of the employer and it is a fact that adverse events that hit the IORP could hit the employer at the same time (default risk correlation). 3/ The financial strength of the employer becomes weaker when the deficit of the IORP grows. The bigger the problem on the liabilities' side of the IORP grows, the lower the covering capacity of the sponsor covenant becomes because of the	

			increased risk of default of the employer. The value of the employer covenant is therefore dynamic and should not be overestimated. 4/ It seems technically logical not to use sponsor covenants as an asset if they are situated out of the time horizon used to determine the confidence level. The fact that such a sponsor covenant is available can be mentioned in pillar II governance measures, however. 5/ A sponsor covenant that is regarded as an asset in the balance sheet of the IORP would logically need to be mirrored somehow in the balance sheet of the sponsoring employer. This raises the question of overlap/differences with other disclosure tools such as IFRS/IAS19.	
1.713.	Balfour Beatty plc	33.	What is the stakeholders' view on the analysis regarding sponsor support? Do stakeholders agree with EIOPA that IORPs should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement? Given that the objective of pension supervision is to ensure the security of members' rights it must be correct to take into account all known factors. Therefore employer support should be taken into account. It could be argued that this item should be valued differently according to whether the purpose is ongoing or termination of the company and scheme. In the UK, support from the Pensions Protection Fund (PPF) is also relevant but only in the context of a company becoming	Noted

			insolvent. Therefore the pragmatic way to allow for these two items is as follows: ☐ for the Holistic Balance Sheet value sponsor covenant based on what may realistically be expected to be obtained from the employer given its current strength. A practical broad-brush approach should be taken to assess the value of the sponsor covenant, to avoid an unnecessarily extremely expensive and time-consuming process. ☐ When considering insolvency the PPF should determine the minimum level of total asset value (as the PPF can be relied on). Sponsor covenant should have additional value only if the amount recoverable from the company in insolvency is anticipated to produce a higher value overall when added to the assets. ☐ Financial assets should be required only to cover the best estimate liabilities as long as ongoing sponsor covenant provides sufficient cover above this.	
1.714.	Bayer AG	33.	What is the stakeholders' view on the analysis regarding sponsor support? Do stakeholders agree with EIOPA that IORPs should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement? As we pointed out in question 12, we do not agree with the holistic balance sheet approach. On the one side it would be very difficult and costly to measure the risk-mitigation effects. On the other side, for sponsor-backed IORPs with additional insolvency protection, component 7 should not be interpreted as a calculated (by evaluation) asset position, instead it has to be	Noted, non-harmonised approach not within mandate

			interpreted as a flexible compensation position. Regardless of the definition of capital requirements, component 7 has to be regarded as an asset to fulfil any solvency capital requirement the IORP might face. In any event component 7 has to be qualified as an equivalent to financial assets.	
1.715.	BDA Bundesvereinigung der Deutschen Arbeitgeberver	33.	What is the stakeholders view on the analysis regarding sponsor support? Do stakeholders agree with EIOPA that IORPs should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement? As we pointed out in question 12, we do not agree with the holistic balance sheet approach. On the one side it would be very difficult and costly to measure the risk-mitigation effects. On the other side, for sponsor-backed IORPs with additional insolvency protection, component 7 should not be interpreted as a calculated (by evaluation) asset position, instead it has to be interpreted as a flexible compensation position. Regardless of the definition of capital requirements, component 7 has to be regarded as an asset to fulfil any solvency capital requirement the IORP might face. In any event component 7 has to be qualified as an equivalent to financial assets.	Noted, non-harmonised approach not within mandate
1.716.	Belgian Association of Pension Institutions (BVPI-	33.	What is the stakeholders' view on the analysis regarding sponsor support? Do stakeholders agree with EIOPA that IORPs should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement? One of the great advantages of an IORP is that it has the ability of risk mitigating mechanisms, just like sponsor support. Sponsor support is an instrument to provide pension security	Noted, possibility of companies having to report the value in their financial statements is added as negative impact

			and therefore has to be taking into account. When an IORP can call on sponsor support, it is not necessary for an IORP to have the same kind of capital requirements than an IORP without sponsor support. The same holds for other kind of risk mitigating mechanisms, just like for example a pension protection scheme. BVPI-ABIP rejects the idea of imposing capital requirements based on mark-to market valuation of liabilities as a general rule and their implementation in the holistic balance sheet. We believe that own funds are unnecessary in a system where the IORP has sponsor support. However if the European Commission would go through with this idea, we would like to give the following comments. 7. There should be more simple methods to allow for taking sponsor support into account, not in monetary terms and without presenting it in a Holistic Balance Sheet (e.g. mentioning it off balance, as is done today). BVPI-ABIP is strongly worried about valuating the sponsor covenant: 8. Valuating the sponsor covenant seems not only be highly complex (and thus sensible to model risks) and therefore potentially costly exercise, it also carries the risk that the sponsor would be required to disclose the value of its commitment in its own financial statements.	

			We got the confirmation of different auditors that there is a real probability that if a sponsor covenant is valuated in the IORP, they will probably require the sponsor to recognise the same amount in the sponsors balance sheet (even if this does not cover liabilities, but only potential risks). 9. If such recognition in the financial statements of the sponsor would be required by the auditors of the employer, this would have an enormous negative impact on the employer and his competitive stance. 10. 11. Such development would have a dramatic impact on the appetite of corporates to sponsor occupational pensions or would in the best case lead to a transfer of the benefits to other vehicles which are not subjected to the holistic approach (but which might not necessarily give the same protection to the members).	
1.717.	BNP Paribas Cardif	33.	BNP Paribas Cardif does not support treating the sponsor support as an asset but suggests treating sponsor support and sponsor covenant as ancillary own funds. Sponsor support should not be seen as reinsurance since the sponsor is out of the scope of IORP directive whereas reinsurer is itself regulated under Solvency II type regime. BNP Paribas Cardif believes that the treatment of the sponsor covenant as ancillary own funds is the best approach as the availability of cover has to be proven to the authorities. Articles 89 and following of the Solvency II Directive Framework provide a definition of ancillary own funds that perfectly match with sponsor covenants.	Noted

			The current EIOPA proposal seems dangerous in that it tends to value an asset (without any compensation on the liability side in the sponsor accounting statement), and lower the SCR. An IORP, even under funded, would easily meet its capital requirements and would even be encouraged to do so. If sponsor covenant were to be considered as an asset, assessment should be similar to reinsurance (cf. article 81 of the Solvency II Directive). Default risk should be taken into account.	
1.718.	Bosch Pensionsfonds AG	33.	As stated under 12. and 38. we strongly reject the suitability of holistic balance sheet and SCR-calculation according to Solvency II-rules for IORPs. We also again emphasize the complexity and cost involved in putting a value to employer support for all European IORPs. Employer support is an essentially important security mechanism for IORPs. It should therefore be taken in account - in combination with pension protection schemes - as part of a qualitative evaluation, making the proposed complex and costly quantitative calculation / requirements obsolete for IORPs.	Noted, non-harmonised approach not within mandate
1.719.	Bosch-Group	33.	As stated under 12. and 38. we strongly reject the suitability of holistic balance sheet and SCR-calculation according to Solvency II-rules for IORPs. We also again emphasize the complexity and cost involved in putting a value to employer support for all European IORPs. Employer support is an essentially important security mechanism for IORPs. It should therefore be taken in account - in combination with pension protection schemes - as part of a qualitative evaluation, making the proposed complex and costly quantitative calculation / requirements obsolete for IORPs.	Noted, non-harmonised approach not within mandate

1.721.	BRITISH PRIVATE EQUITY AND VENTURE CAPITAL ASSOCIA	33.		
1.722.	BT Group plc	33.	What is the stakeholders' view on the analysis regarding sponsor support? Do stakeholders agree with EIOPA that IORPs should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement? We do not agree with the need for a margin above Technical Provisions but allowance for sponsor covenant is clearly a critical part of any framework regulating IORPs. However, we do not believe that a convincing argument has been put forward for allowing for covenant as an asset (rather than by adjusting the liabilities). There are huge practical difficulties in calculating a point estimate for covenant, which is likely to be a dramatic under or overstatement unless a complex and expensive valuation exercise is required. If an asset valuation methodology is introduced, it is clear that any methodology used for covenant valuation needs to be thoroughly debated. The approach should also be thoroughly tested under the impact assessment before any conclusions are drawn.	Noted, non-harmonised approach not within mandate
1.723.	BT Pension Scheme Management Ltd	33.	We agree with EIOPA that it does not make sense to treat sponsor covenants as reinsurance contracts. This does not reflect the nature of the relationship between sponsors and IORPs as we know it.	Noted

			We also agree with EIOPA that there are multiple forms of sponsor covenant and that all need to be recognised appropriately, whether the sponsor bears the risks of the IORP completely, or does not. This need for appropriate recognition does mean that where the sponsor does bear all the risks of the IORP, its value to the IORP needs to be recognised at an appropriately significant level on the balance sheet of the IORP. As a matter of good practice, we monitor the benefit of our sponsor covenant on an ongoing basis. We thus strongly support EIOPA's conclusion that Option 1 is the appropriate choice, provided that the strength and extent of sponsor covenants is fully valued on balance sheets. As discussed below under Question 41, we believe that the benefit of pension protection arrangements should be recognised as an asset on the balance sheet of those IORPs which enjoy the benefit of such structures.	
1.724.	Bundesarbeitgeberverband Chemie e.V. (BAVC)	33.	BAVC does not agree with the holistic balance sheet approach. On the one side it would be very difficult and costly to measure the risk-mitigation effects. On the other side, for sponsor-backed IORPs with additional insolvency protection, component 7 should not be interpreted as a calculated (by evaluation) asset position, instead it has to be interpreted as a flexible compensation position. Regardless of the definition of capital requirements, component 7 has to be regarded as an asset to fulfil any solvency capital requirement the IORP might face. In any event component 7 has to be qualified as an equivalent to financial assets.	Noted. Non-harmonised approach not within mandate

1.725.	BUSINESSEUROPE	33.	The sponsor support or employer covenant is at the core of defined benefit (DB) schemes. Whilst we agree that this is an element which mitigates risk, it is very difficult and costly to measure this.	Noted
1.726.	CEA	33.	The concrete method of valuation should be the outcome of a carefully executed QIS. As such, the CEA will express a preference for any of the options after such a QIS and on the basis of additional information on the valuation under the different options. In any case, it is important that the solution ensures security for the members and beneficiaries and is consistent with Solvency II principles. Transitional periods may be needed in this regard. Additionally, the CEA supports the view that the sponsor covenant payable to the IORP should be taken into account but only if the sponsor covenant is legally enforceable. Moreover, evaluation methods that avoid technically complicated calculations should be chosen.	Noted
1.727.	Charles CRONIN	33.	I believe EIOPA's analysis of sponsor support is comprehensive. I support Option 1, to value all forms of sponsor support as an asset on the balance sheet of the IORP, but deleting the words "and impacting on the calculation of the solvency capital requirements where these are required". Providing that the claim on the sponsor's support is legally enforceable and that risk allowance is included in the value of those sponsor derived assets to the IORP in proportion to the risk of the sponsor's default. Deletion of the last half of the sentence reflects my opposition to imposing solvency capital requirements on IORPs, except where they are responsible (and not a sponsor) for guarantying benefits.	Noted

1.728.	Chris Barnard	33.	I broadly agree with the analysis regarding sponsor support in Paragraphs 9.3.185 – 9.3.223. This is a very complicated issue. In principle I would support that IORPs should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement, as this is more transparent and is also consistent with the proposed holistic balance sheet framework. However, I would recommend a higher threshold for recognition here, in order that inflows of economic benefits are not inappropriately and imprudently allowed for in the valuation. This is especially important in times of financial distress when these "contingent assets" are most likely to be called on, and are potentially most at risk. If sponsor support is shown as an asset in the IORP balance sheet, should we also ensure that it is similarly shown as a liability in the sponsor's balance sheet? Could this have a negative impact on the supply of (employer sponsored) occupational retirement provision in the EU?	Noted, possibility that value has to be shown in financial statements is added as negative impact
1.729.	CMHF (Centrale van Middelbare en Hogere Functionar	33.	We agree that sponsor support should play a role in the assessment of the security level provided. We also agree that theoretically, the valuation framework under the holistic balance sheet offers attractive possibilities to achieve this. We are however very concerned with the complexity involved and the subjectivity regarding the determination of certain parameters necessary. This subjectivity may lead to substantial differences in the assessment of the sponsor support between the IORP and the supervisor that may prove difficult to resolve. We therefore urge EIOPA to also consider investigating simpler methods to allow for capital relief in case of sponsor support.	Noted
1.730.	CONFEDERATION OF	33.		Noted, non-

	BRITISH INDUSTRY (CBI)		The CBI does not support valuing the sponsoring employer support as an asset The sponsor support, or employer covenant, is at the core of DB schemes in some Member States. This is why CBI members cannot support a methodology that does not put employer support at the core of the regulatory system. A DB scheme is set up by an employer that wishes to offer its employees an efficient way to achieve a good income in retirement. The intrinsic nature of DB scheme design is that it is more efficient for members than provision through financial markets. This arises in part because the pension scheme has recourse to the sponsor's production which in return is able to direct cash towards investment in strengthening its covenant, by growing the business, instead of locking it away unproductively in the pension scheme. But also becasue of the long-term nature of pension liabilities that allow less liquidity to be readily available. In that context, the benefit to the employer of offering explicit, and in many jurisdictions legally-binding, financial support to the scheme is that it does not need to offer that support upfront. In the case of the UK when a scheme goes into deficit, the Pensions Regulator's funding regime provides trustees with the necessary powers to force the employer to provide additional funding to repair it. This is right as it encourages balanced thinking. Ultimately, the best form of protection to member benefits is a strong, solvent employer. This is why employer covenant monitoring is a crucial part of the UK's regulatory system.	harmonised approach not within mandate

			Trustees have the duty to monitor the continuously covenant and are empowered to act when the strength of the covenant varies to ensure the solvency of the pension scheme. Furthermore, the Pension Protection Fund, funded by employers, is a mechanism of last resort to protect some member benefits in the eventuality of the scheme' sponsoring employer going insolvent. The flexibility and security offered by this approach means that CBI members does not support measuring the employer covenant as an asset. In fact, we believe such approach is riskier than the current UK model, as providing the value of the covenant at one point in time is heavily dependent on external economic and financial factors, while a permanent monitoring of that same covenant by trustees allows for a more holistic picture being considered by the scheme trustees. Therefore, we do not believe EIOPA's proposal is better than a system that encourages dialogue between trustees and the employer to ensure not only appropriate funding for the scheme, but also that the employer remains financially viable. During the worst economic crisis since World War II, this regime has shown that it can protect member benefits while avoiding mass insolvencies. Equally, EIOPA has not provided any detail on how such measurement would be done. CBI members believe measuring the employer covenant accurately enough to monetise it would not only be extremely complicated, if possible at all, but also very expensive.	
1.731.	De Unie (Vakorganisatie	33.	We agree that sponsor support should play a role in the	Noted

	voor werk, inkomen en loop		assessment of the security level provided. We also agree that theoretically, the valuation framework under the holistic balance sheet offers attractive possibilities to achieve this. We are however very concerned with the complexity involved and the subjectivity regarding the determination of certain parameters necessary. This subjectivity may lead to substantial differences in the assessment of the sponsor support between the IORP and the supervisor that may prove difficult to resolve. We therefore urge EIOPA to also consider investigating simpler methods to allow for capital relief in case of sponsor support.	
1.732.	Derek Scott of D&L Scott	33.	I agree with the principle of placing a value on the forms of sponsor support, and this is already at the heart of UK pensions regulation, as best practice since the 1980s and reinforced by regulation since 2004. If a value were to be placed on sponsor support, I suggest this should be treated as an intangible asset, subject to impairment review.	Noted
1.733.	Deutsche Post AG / Deutsche Post DHL	33.	14. For sponsor-backed IORPs with an additional pension protection scheme (PPS), Component 7 (i.e. contingent assets such as employer covenant or PPS) should not be interpreted as a calculated (by evaluation) asset position, instead it has to be interpreted as a flexible compensation position. Regardless of the definition of capital requirements, Component 7 has to be regarded as an asset to fulfil any solvency capital requirement the IORP might face. In any event component 7 has to be qualified as an equivalent to financial assets. Otherwise we would be concerned with the complexity involved and the subjectivity regarding the determination of certain parameters necessary. This subjectivity may lead to substantial differences in the assessment of the sponsor support between	Noted, non-harmonised approach not within mandate

			the IORP and the supervisor that may prove difficult to resolve. 15. Or simpler: Our view is that the existence of sponsor support means that a solvency regime for pensions is not necessary at all.	
1.734.	Deutsche Post Pensionsfonds AG	33.	15. For sponsor-backed IORPs with an additional pension protection scheme (PPS), Component 7 (i.e. contingent assets such as employer covenant or PPS) should not be interpreted as a calculated (by evaluation) asset position, instead it has to be interpreted as a flexible compensation position. Regardless of the definition of capital requirements, Component 7 has to be regarded as an asset to fulfil any solvency capital requirement the IORP might face. In any event component 7 has to be qualified as an equivalent to financial assets. Otherwise we would be concerned with the complexity involved and the subjectivity regarding the determination of certain parameters necessary. This subjectivity may lead to substantial differences in the assessment of the sponsor support between the IORP and the supervisor that may prove difficult to resolve. 16. Or simpler: Our view is that the existence of sponsor support means that a solvency regime for pensions is not necessary at all.	Noted, non-harmonised approach not within mandate
1.735.	DHL NL (Netherlands)	33.	For sponsor-backed IORPs with an additional pension protection scheme (PPS), Component 7 (i.e. contingent assets such as employer covenant or PPS) should not be interpreted as a calculated (by evaluation) asset position, instead it has to be interpreted as a flexible compensation position. Regardless of the definition of capital requirements, Component 7 has to be regarded as an asset to fulfil any solvency capital requirement the IORP might face. In any event component 7 has to be qualified as an equivalent to financial assets.	Noted

			We are also concerned with the complexity involved and the subjectivity regarding the determination of parameters necessary to calculate this asset.	
1.736.	DHL Services Limited	33.	What is the stakeholders' view on the analysis regarding sponsor support? Do stakeholders agree with EIOPA that IORPS should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement? There can be no doubt that the existence of sponsor support constitutes one of the most important differences between insurance companies and IORPs, and therefore it should certainly be taken into account as part of the regulatory regime for IORPs. However, we believe that the insistence on the inclusion of sponsor support explicitly in a holistic balance sheet is unworkable, and would lead to considerable costs on the part of schemes (and their sponsors). Our view is that the existence of sponsor support means that a solvency regime for pensions is simply not necessary, and therefore makes Solvency II unnecessary for IORPs	Noted, non-harmonised approach not within mandate
1.737.	DHL Trustees Limited	33.	What is the stakeholders' view on the analysis regarding sponsor support? Do stakeholders agree with EIOPA that IORPS should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement?	Noted, non-harmonised approach not within mandate

			There can be no doubt that the existence of sponsor support constitutes one of the most important differences between insurance companies and IORPs, and therefore it should certainly be taken into account as part of the regulatory regime for IORPs. However, we believe that the insistence on the inclusion of sponsor support explicitly in a holistic balance sheet is unworkable, and would lead to considerable costs on the part of schemes (and their sponsors). Our view is that the existence of sponsor support means that a solvency regime for pensions is simply not necessary, and therefore makes Solvency II unnecessary for IORPs	
1.738.	Direction Générale du Trésor, Ministère des financ	33.	Regarding sponsor support, our preference clearly goes to a treatment as ancillary own funds (the criteria of the sponsor support perfectly match with those of the AOF as defined in article 89 of the S2 directive). We believe that the risk mitigation option would raise practical difficulties for the calculation by the entity and for the assessment by the supervisor. That is why we do not understand why the risk mitigation option is the only option to appear in the summary box and we ask for a reconsideration of the other option referring to AOF.	Noted
1.739.	Ecie vie	33.	Sponsor support should not be value as an asset or as reassurance since the sponsor is out of the scope of IORP directive. We suggest treating sponsor as ancillary own funds.	Noted

1.740.	EEF	33.	Whilst we disagree with the direction of travel indicated in the draft advice of EIOPA (i.e. that there should be a solvency capital requirement in addition to technical provisions), to the extent that it becomes necessary, we agree that all forms of support from the sponsoring employer should be treated as an asset of the pension scheme and should therefore be treated as part of the risk-mitigation formula.	Noted
1.741.	EFI (European Federation of Investors)	33.	See answer to question 12	Noted
1.742.	European Association of Public Sector Pension Inst	33.	What is the stakeholders' view on the analysis regarding sponsor support? Do stakeholders agree with EIOPA that IORPs should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement? EIOPA has introduced a possibility to integrate the sponsor support as additional asset in form of the Holistic Balance Sheet (HBS). A comprehensive argumentation why a valuation of sponsor support in form of the HBS does not change the situation for the better but makes it worse is delivered in the answer to question #12. EAPSPI wants to recall the main points with respect to the sponsor support: It is impossible to find serious quantitative values for the sponsor support due to the nature of this asset. If there exists a legal obligation to pay in cases of emergency in full this indeed would mean that a new liability up to the amount of which the IORP will need to close its market-value balance sheets appears in the balance sheets of the sponsor – the	Noted, possibility of recognising value in financial statements is added as negative impact

			sponsor would be immediately financially over-indebted. The consequence would be the termination of occupational pension retirement provisions and the disappearance of many IORPs on a large scale. Left over is what could be named the “Holistic Balance Sheet Paradox”: The security level for the employees is exactly the same as before, economically speaking nothing changes, but with the HBS costs have increased dramatically. The existing security mechanisms today already safeguard with low cost exactly that level of security which shall be created with pretended quantitative precision in the new regulatory regime for much higher cost (better case) if not for the price of termination of existing pension scheme arrangements (worst case).	
1.743.	European Federation for Retirement Provision (EFRP	33.	One of the great advantages of an IORP is that it has the ability of risk mitigating mechanisms, just like sponsor support. Sponsor support is an instrument to provide pension security and therefore has to be taking into account. When an IORP can call on sponsor support, it is not necessary for an IORP to have the same kind of capital requirements than an IORP without sponsor support. The same holds for other kind of risk mitigating mechanisms, just like for example a pension protection scheme, intergenerational risk sharing and conditionality of pension benefits. The EFRP is concerned about the complexity and the subjectivity when determining parameters if this would be part of a holistic balance sheet. There should be simpler methods to allow for	Noted

			capital relief in case of sponsor support.	
1.744.	European Metalworkers Federation	33.	See response question 22	Noted
1.745.	European Mine, Chemical and Energy workers' Fede	33.	See previous	Noted
1.746.	FAIDER (Fédération des Associations Indépendantes	33.	See answer to question 12	Noted
1.747.	Federation of the Dutch Pension Funds	33.	We agree that sponsor support should play a role in the assessment of the security level provided. We also agree that theoretically, the valuation framework under the holistic balance sheet offers attractive possibilities to achieve this. We are however very concerned with the complexity involved and the subjectivity regarding the determination of certain parameters necessary. This subjectivity may lead to substantial differences in the assessment of the sponsor support between the IORP and the supervisor that may prove difficult to resolve. We therefore urge EIOPA to also consider investigating simpler methods to allow for capital relief in case of sponsor support.	Noted
1.748.	Financial Reporting Council	33.	We consider that the analysis regarding sponsor support is useful. We agree that supervisors should take account of all forms of sponsor support in their supervisory process. However, for the reasons given in answer to question 12 we do not consider it appropriate that a quantitative approach to the evaluation of sponsor support is appropriate. Similarly we do not consider that it is necessary to quantify an SCR in such circumstances. We do consider that qualitative descriptions are most appropriate and are a proportionate response to the risks faced	Noted, non-harmonised approach not within mandate

			by the IORP. We consider that the best estimate of technical provisions should be complemented by a discussion of the risks and uncertainties faced. This discussion might include sensitivity tests or scenario analyses to give users a deeper understanding of the uncertainty. Against this there is a quantification of the financial assets held. This too might be complemented by a discussion of the uncertainties surrounding the expected cash flows that they are expected to generate. In addition, additional contributions from the sponsor can be considered under any agreed recovery plan. This might be complemented by a discussion concerning the ability and willingness of the sponsor to make additional contributions. Taken as a whole this should be sufficient to make decisions concerning the going concern nature of the IORP and its ability to cope with uncertain outcomes.	
1.749.	FNMF – Fédération Nationale de la Mutualité França	33.	FNMF does not agree on valuation principles based on market value.	Noted
1.750.	FNV Bondgenoten	33.	We agree that sponsor support should play a role in the assessment of the security level provided. We also agree that theoretically, the valuation framework under the holistic balance sheet offers attractive possibilities to achieve this. We are however very concerned with the complexity involved and the subjectivity regarding the determination of certain parameters necessary. This subjectivity may lead to substantial differences in the assessment of the sponsor support between the IORP and the supervisor that may prove difficult to resolve.	Noted

			We therefore urge EIOPA to also consider investigating simpler methods to allow for capital relief in case of sponsor support.	
1.751.	GAZELLE CORPORATE FINANCE LTD	33.	We agree with the proposition that the sponsor covenant provides security for the benefit promises to members of the sponsoring employer's pension schemes and that some attempt should be made to measure the value of it. However, the assessment of a sponsor covenant involves qualitative as well as quantitative measures and the amount of work involved could be disproportionate to the benefit. For example the value of the covenant may depend considerably on the corporate structure of the sponsor's organization, and inter-company arrangements such as dividend payments and loans may require considerable analysis and clarification. The ability of the employer to make the payments under a recovery plan will depend on the strength of the sponsor covenant. In many cases the strength will be clearly more than sufficient to cover the funding deficit, however measured, and there will be no merit in carrying out more work than necessary to confirm this. In other cases the covenant provided by the employers participating in the scheme may be insufficient but the covenant provided by the parent company or group is fully sufficient and the trustees of the scheme may be relying on this as a matter of goodwill and trust. In yet other cases the covenant may be insufficient even with recourse to the parent company or group – in such cases it is questionable what merit there is in attempting a precise measurement of the extent to which the covenant falls short of the level needed for security unless such measurement will lead to regulatory action. Unlike	Noted

			the case of an insurer which can raise more capital to improve the solvency position of its fund, employers are simply not in a position to raise additional capital to fund unaffordable pension deficits. Against this background, we would make the following high level observations: ☐ Rather than certify the value of they sponsor covenant, it would be sufficient in many cases to certify that it was sufficient. ☐ It is vital to distinguish between the covenant provided by the participating employers, on which the scheme is entitled to rely, and the covenant provided by the parent group on which reliance may not be formally enforceable. ☐ Valuing contingent assets would need some considerable guidance; for example putting a value on an intercompany guarantee might be problematic. ☐ It would be appropriate for the actuarial valuations to be on an ongoing basis not an insolvency basis.	
1.752.	Generali vie	33.	Sponsor support should not be value as an asset or as reassurance since the sponsor is out of the scope of IORP directive. We suggest treating sponsor as ancillary own funds.	Noted
1.753.	German Institute of Pension Actuaries (IVS\32\45\3	33.	We agree in principle. However, the employer covenant or sponsor support must be taken into account as an asset. Of particular importance is that the determination of the amount is laid down in detail and that this contingent asset may be applied	Noted

			without limit to cover effectively all liability positions on the balance sheet. In doing so all characteristics need to be taken into account – e.g. benefit reduction mechanisms, adjustment of future contributions, obligation of the sponsor to make good any deficit, etc.). As stipulated in 10.6.22 benefit reduction mechanisms must, alternatively, also be allowed to be recognised as lowering impact on technical provision. Since such determinations are presumably highly complex, we emphasise again that significant simplification and even total exclusions should apply in order to satisfy the principles of proportionality and a reasonable relationship between costs and benefit of this exercise. For industry or group-specific funds, complexity would increase because of the many different sponsors.	
1.754.	GESAMTMETALL - Federation of German employer	33.	What is the stakeholders view on the analysis regarding sponsor support? Do stakeholders agree with EIOPA that IORPs should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement? As we pointed out in question 12, we do not agree with the holistic balance sheet approach. On the one side it would be very difficult and costly to measure the risk-mitigation effects. On the other side, for sponsor-backed IORPs with additional insolvency protection, component 7 should not be interpreted as a calculated (by evaluation) asset position, instead it has to be interpreted as a flexible compensation position. Regardless of the definition of capital requirements, component 7 has to be regarded as an asset to fulfil any solvency capital requirement the IORP might face. In any event component 7 has to be qualified as an equivalent to financial assets.	Noted, non-harmonised approach not within mandate

1.755.	Groupe Consultatif Actuariel Européen.	33.	For sponsor-backed IORPs the sponsor covenant is a key support mechanism. As yet no accepted methods exist for valuing sponsor covenant – the difficulties of developing suitable methods and gaining widespread support for them should not be underestimated. Whether the sponsor covenant needs to be explicitly quantified depends on how the holistic balance sheet will be used, for example, if an insolvent balance sheet is going to require some specific action such as a reduction in benefits, then quantification of sponsor covenant would be necessary. If, on the other hand, the intention is to present all items supporting the pension promise on a single balance sheet for reasons of clarity and transparency, then it should be sufficient to show the "sponsor covenant required" as the balancing item and a qualitative judgement made, or some formal reassurance obtained if appropriate, as to whether the sponsoring company is capable of delivering this level of support.	Noted
1.756.	Groupement Français des Bancassureurs	33.	FBIA does not support treating the sponsor support as an asset but suggests treating sponsor support and sponsor covenant as ancillary own funds. Sponsor support should not be seen as reinsurance since the sponsor is out of the scope of IORP directive whereas reinsurer is itself regulated under Solvency II type regime. FBIA believes that the treatment of the sponsor covenant as ancillary own funds is the best approach as the availability of cover has to be proven to the authorities. Articles 89 and following of the Solvency II Directive Framework provide a definition of ancillary own funds that perfectly match with sponsor covenants. The current EIOPA proposal seems dangerous in that it tends to value an asset (without any compensation on the liability side in	Noted

			the sponsor accounting statement), and lower the SCR. An IORP, even under funded, would easily meet its capital requirements and would even be encouraged to do so. If sponsor covenant were to be considered as an asset, assessment should be similar to reinsurance (cf. article 81 of the Solvency II Directive). Default risk should be taken into account.	
1.757.	PMT-PME-Mn Services	33.	We agree that sponsor support should play a role in the assessment of the security level provided. We also agree that theoretically, the valuation framework under the holistic balance sheet offers attractive possibilities to achieve this. We are however very concerned with the complexity involved and the subjectivity regarding the determination of certain parameters necessary. This subjectivity may lead to substantial differences in the assessment of the sponsor support between the IORP and the supervisor that may prove difficult to resolve. We therefore urge EIOPA to also consider investigating simpler methods to allow for capital relief in case of sponsor support.	Noted
1.758.	HM Treasury/Department for Work and Pensions	33.	The analysis is welcome, but there is no real evidence as to whether this approach is viable, and a lot more further work is needed before any firm recommendations are made. It is critical to any prudential system that all forms of support are properly assessed and treated, and for the UK, where the sponsor covenant is a fundamental feature of the system, it is clearly of utmost importance that the high level of security provided by the sponsor covenant, backed by the Pension Protection Fund, is given due recognition. Currently in the UK – and as far as we know in other Member States – all forms of support are properly assessed and treated within national frameworks. Clearly, given the wide range of security	Noted

			mechanisms in different member states, any move to harmonise treatment would require that all forms of support continue to be properly recognised and taken into account. To do otherwise would result in either too much or too little prudence in the system. Either of these results would be equally damaging. In that context, and without prejudice to the UK's general opposition to maximum harmonisation for IOPRs, if the Commission were to propose a maximum harmonised system, and if that was based on a holistic balance sheet along the lines proposed by EIOPA, then it would be necessary, EITHER: - to value the sponsor covenant as an asset on the balance sheet, OR; - to waive the requirement for funded schemes that are backed by a sponsor covenant to calculate a solvency capital requirement, or to hold more assets than technical provisions discounted on a reasonable return on the investment portfolio. It is disappointing that the second option has not been explored in EIOPA's draft consultation, and we are firmly of the view that this option should be included in EIOPA's final advice. With respect to the first option, the UK has profound concerns with lack of clarity as to how the sponsor covenant could be valued in practice. Under a holistic balance sheet approach as proposed by EIOPA (without a waiver for schemes backed by a sponsor covenant), the valuation of the covenant would be the only aspect of the system that could prevent a very large, and unecessary, increase in capital requirements (by as much as 30% of GDP). However, there is very little clarity as to how the covenant might be recognised, and no clarity whatsoever as to how it might be valued – a particularly difficult task, given that sponsor covenants tend to be unlimited. This is approach is absolutely unacceptable, is it provides no confidence that a	

			suitable way to value the sponsor covenant would be found, and means that it is not possible to assess the impact of any proposals in any meaningful way. However, given the scale of likely negative effects, a proper quantitative impact assessment is critical before any further steps are taken. Finally, the comparison with reinsurance misinterprets the point of sponsor support, and the relationship between the IORP and the sponsor where a covenant is in place. The sponsor covenant is a reflection of the fact that the ultimate liability rests with the sponsoring employers, not the IORP. There is a direct relationship between the sponsoring employer and the employee, and the employer does not divest itself of its liabilities when establishing a pension fund. Attempts to view relationship between the IOPR and its sponsor as similar to reinsurance are therefore inappropriate.	
1.759.	IBM Deutschland Pensionskasse VVaG and IBM Deutsch	33.	For sponsor-backed IORPs with additional PPS, Component 7 should not be interpreted as a calculated (by evaluation) asset position, instead it has to be interpreted as a flexible compensation position. Regardless of the definition of capital requirements, Component 7 has to be regarded as an asset to fulfil any solvency capital requirement the IORP might face. In any event component 7 has to be qualified as an equivalent to financial assets	Noted
1.760.	ICAEW	33.	What is the stakeholders' view on the analysis regarding sponsor support? Do stakeholders agree with EIOPA that IORPs should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement? It is critical to any prudential system that all forms of support	Noted

			are properly assessed and included. In the UK, the sponsor covenant is a fundamental feature, and it is essential that the high level of security provided by the sponsor covenant, backed by the Pension Protection Fund, is given due recognition. Under a holistic balance sheet approach, the employer covenant must be included in order to avoid increases in capital requirements that would give rise to serious implications, including: ☐ reducing the amount of profit available for investment by sponsoring employers, coupled with a reduction in the likelihood of inward investment in those employers; ☐ increased investment in risk-free assets, reducing the availability of capital needed for economic growth; ☐ further closures of DB pension schemes, reducing the coverage of high quality pension provision in the UK, and (for employers with underfunded schemes) an increased risk of insolvency. As we mention at 38 below, for similar reasons we strongly oppose any capital requirements being applied to sponsor-backed IORP schemes.	
1.761.	Institute and Faculty of Actuaries (UK)	33.	If any change is to be imposed on UK IORPs then the valuation of sponsor support could, subject to overcoming the not insignificant difficulties of specifying a practical system for doing so, be a means to bring the regime for sponsor-backed IORPs more into line with that for 17(1) IORPs. However we see great practical difficulties in formulating specific rules for the evaluation of Component 6 (Contingent assets) and particularly Component 7 (Sponsor covenant and Protection schemes). Even if such rules can be formulated to cover all the different types of sponsoring employers (listed companies, private companies, charities, other not-for-profit organisations,	Noted

			etc), the costs of carrying out such calculations on a regular basis may be excessive. The UK is as experienced as any in its use of employer covenant as a support to an IORP but even in the UK there is no generally accepted methodology for placing a single value on the covenant. A starting point might be the ratings given to a company for its corporate debt (although many sponsoring employers do not have rated debt). However as covenants are not traded it is difficult to see how these could be converted to a values which are market consistent. It may be that the practical way forward is for the value of sponsor support needed to support the IORP to be calculated as the balancing item in a holistic balance sheet. The ability of the sponsor to deliver the support this number implies would then be tested by reference to a qualitative assessment or by reference to quantitative measures such as relevant accounting ratios. This could then lead to requirements for disclosure of this balancing item and justification to supervisors and for disclosures to members about the implications for benefit security. We would welcome an opportunity to work with the Commission and EIOPA to investigate how these issues may be addressed in a practical and realistic manner.	
1.762.	KPMG LLP (UK)	33.	Sponsor support is an asset – but one which is, at best, very difficult to quantify. Further, the metrics for such quantification can vary very significantly by industry and by type of employer. Before taking this any further, consideration needs to be given as to exactly what should be measured and valued. Is it an enterprise value of an organisation? – which requires	Noted

			assessments of future free cash flows, industry multiples, and balance sheet strength. Or is it a distressed sale value of a business? - which could require assessments of property and plant valuations, as well as brand and intellectual property valuations. In all of this, how is the IORP to be assessed alongside other potential creditors, and what is truly affordable for the business to pay to the IORP? Further, such valuations can be very volatile over time, and so any snapshot measurement can soon be out of date. Alternatively, any simplistic formulaic approach to valuation of sponsor covenants is likely to produce potentially misleading results for many sponsors. We therefore believe that in practice it will not be practicable for most IORPs to quantify this in meaningful ways, without inordinate cost and effort. However sponsor support should be recognised, in a qualitative sense, as described in our response to Q12 above.	
1.763.	Le cercle des épargnants	33.	Sponsor support should not be value as an asset or as reassurance since the sponsor is out of the scope of IORP directive. We suggest treating sponsor as ancillary own funds.	Noted
1.764.	Macfarlanes LLP	33.	20.	
1.765.	MAN Pensionsfonds Aktiengesellschaft	33.	For sponsor-backed IORPs with additional PPS, Component 7 should not be interpreted as a calculated (by evaluation) asset position, instead it has to be interpreted as a flexible compensation position. Regardless of the definition of capital requirements, Component 7 has to be regarded as an asset to	Noted

			fulfil any solvency capital requirement the IORP might face. In any event Component 7 has to be qualified as an equivalent to financial assets.	
1.766.	MAN SE	33.	For sponsor-backed IORPs with additional PPS, Component 7 should not be interpreted as a calculated (by evaluation) asset position, instead it has to be interpreted as a flexible compensation position. Regardless of the definition of capital requirements, Component 7 has to be regarded as an asset to fulfil any solvency capital requirement the IORP might face. In any event Component 7 has to be qualified as an equivalent to financial assets.	Noted
1.768.	Mercer	33.	We agree that paragraph 9.3.194 lists the main forms of sponsor support. However, we are less certain about the analysis that follows. For example, whilst members might be indifferent about the source of their benefit payments (forms A and B), the different structures impose different disciplines on employers and are triggered by different contingencies. For example, under Form A, once a shortfall in funding has been identified, the recovery plan agreed between an IORP and the employer can form a legally binding commitment. However, our understanding of Form B is that it only becomes relevant once the IORP is (effectively) insolvent, which means the contingency on which it becomes payable is different and, once it is in payment, its accounting treatment must be different since the IORP is technically insolvent. In that sense, it is a contingent asset similar to Form C, where the trigger is (for example) related to scheme funding rather than employer insolvency.	Noted

			Regardless of this, we agree that the support can be divided into the three categories in paragraph 9.3.212, and that the category the support falls into is likely to influence its value to the IORP. 33. (contd) Do stakeholders agree with EIOPA that IORPs should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement? We understand from the statement 'take account of their risk-mitigating effect in the calculation of the solvency capital requirement' that EIOPA is suggesting that a strong employer might result in a lower SCR. The suggestion that the SCR should be lower when the employer covenant is strong highlights a weakness or circularity in the proposed approach to the holistic balance sheet. Our preferred regime would be for IORPs to be able to take the employer covenant into account when determining their approach to calculating and financing the scheme's technical provisions (Option 2) or, if preferred, the subsidiary 'Level B' calculation of the liabilities suggested in paragraph 9.7.36 of the consultation. The Level A calculation then achieves the EC's objective that different IORPs should disclose similar measures of technical provisions, and Level B would achieve harmonisation in security by reflecting the different types of benefit structure, and the different types of assets that IORPs can access to provide them. As proposed in the consultation document, the SCR represents	

			resources the scheme would be expected to have access to in the event that an extreme event occurred. Given the proposed level of the technical provisions calculation, except in those schemes with no recourse to the employer in the event of underfunding against technical provisions, the most likely extreme event will be the employer's insolvency. However, IORPs are expected to place a value on the employer's covenant to demonstrate that they have access to sufficient financial resource should an extreme event occur. This makes the information provided via the holistic balance sheet relatively meaningless. Our preferred alternative, as suggested in our answer to question 12, would be to: ☐ State a least risk liability measure on the liability side, with risk margins to allow a reserve for mismatching (called technical provisions); ☐ Include a lower liability measure (Level B), against which the IORP is expected to hold financial assets (including any recovery plan contributions); ☐ State the value of the financial assets on the asset side; ☐ Explicitly add to the financial assets the value of any recovery plan contributions and, if appropriate, financial contingent assets (noting that prudent accounting principles suggests contingent assets should have no value unless the contingency has occurred or become highly probable); ☐ Illustrate the reliance on the company covenant by the difference between the total asset and liability values.	

			Where employers have a weak covenant, the Level B measure would be close to the technical provisions and reliance on the covenant should be low.	
1.769.	MHP (Vakcentrale voor Middengroepen en Hoger Perso	33.	We agree that sponsor support should play a role in the assessment of the security level provided. We also agree that theoretically, the valuation framework under the holistic balance sheet offers attractive possibilities to achieve this. We are however very concerned with the complexity involved and the subjectivity regarding the determination of certain parameters necessary. This subjectivity may lead to substantial differences in the assessment of the sponsor support between the IORP and the supervisor that may prove difficult to resolve. We therefore urge EIOPA to also consider investigating simpler methods to allow for capital relief in case of sponsor support.	Noted
1.771.	National Association of Pension Funds (NAPF)	33.	What is the stakeholders' view on the analysis regarding sponsor support? Do stakeholders agree with EIOPA that IORPs should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement? NAPF agrees that that all forms of sponsor support should be treated as assets and should be seen as risk-mitigating factors. The NAPF is concerned about the complexity and subjectivity that would be involved in valuing the sponsor covenant. A simpler approach should be taken: IORPs that have sponsor support should not be subject to the Solvency Capital	Noted

			Requirement. Although the NAPF is willing to offer the comments in the two paragraphs above, we must point out that EIOPA should not be proposing a major new concept such as this Solvency Capital Requirement until it knows how the SCR would operate in practice – including the issue of how sponsor covenant would be valued.	
1.773.	NORDMETALL, Verband der Metall- und Elektroindustr	33.	What is the stakeholders view on the analysis regarding sponsor support? Do stakeholders agree with EIOPA that IORPs should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement? As we pointed out in question 12, we do not agree with the holistic balance sheet approach. On the one side it would be very difficult and costly to measure the risk-mitigation effects. On the other side, for sponsor-backed IORPs with additional insolvency protection, component 7 should not be interpreted as a calculated (by evaluation) asset position, instead it has to be interpreted as a flexible compensation position. Regardless of the definition of capital requirements, component 7 has to be regarded as an asset to fulfil any solvency capital requirement the IORP might face. In any event component 7 has to be qualified as an equivalent to financial assets.	Noted, non-harmonised approach not within mandate
1.774.	OECD Secretariat to the Working Party on Private P	33.	What is the stakeholders' view on the analysis regarding sponsor support? Do stakeholders agree with EIOPA that IORPs should	Noted

			value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement? In principle, valuing different forms of sponsor support seems reasonable (as outlined in paragraph 9.3.194). The contingent assets of the plan sponsor described in paragraph 9.3.194(C) typically back book-reserved obligations which the CfA states are covered by the Directive 2008/94/EC on the protection of employees in the event of employer insolvency. Including these types of contingent assets for funded plans when book-reserved plans which pay benefits due based on these same types of contingent assets seems to be inconsistent.	
1.775.	Pan-European Insurance Forum (PEIF)	33.	As a concept, we find the idea of valuation of sponsor support and considering the sponsor covenant as a form of asset worth further investigation. EIOPA's analysis shows the variety of forms and methods for assessing them. However, the issues around the quantitative valuation of the sponsor covenant remain. challenging, especially if an IORP has many sponsors. Therefore, at this stage, PEIF refrains from taking a final view.	Noted
1.776.	Pensioen Stichting Transport (Netherlands)	33.	For sponsor-backed IORPs with an additional pension protection scheme (PPS), Component 7 (i.e. contingent assets such as employer covenant or PPS) should not be interpreted as a calculated (by evaluation) asset position, instead it has to be interpreted as a flexible compensation position. Regardless of	Noted

			the definition of capital requirements, Component 7 has to be regarded as an asset to fulfil any solvency capital requirement the IORP might face. In any event component 7 has to be qualified as an equivalent to financial assets. We are also concerned with the complexity involved and the subjectivity regarding the determination of parameters necessary to calculate this asset.	
1.777.	Pensioenfonds Zorg en Welzijn (PFZW)	33.	We agree that sponsor support should play a role in the assessment of the security level provided. We also agree that theoretically, the valuation framework under the holistic balance sheet offers attractive possibilities to achieve this. We are however very concerned with the complexity involved and the subjectivity regarding the determination of certain parameters necessary. This subjectivity may lead to substantial differences in the assessment of the sponsor support between the IORP and the supervisor that may prove difficult to resolve. We therefore urge EIOPA to also consider investigating simpler methods to allow for capital relief in case of sponsor support.	Noted
1.778.	Predica	33.	Predica does not support treating the sponsor support as an asset but suggests treating sponsor support and sponsor covenant as ancillary own funds. Sponsor support should not be seen as reinsurance since the sponsor is out of the scope of IORP directive whereas reinsurer is itself regulated under Solvency II type regime. Predica believes that the treatment of the sponsor covenant as ancillary own funds is the best approach as the availability of cover has to be proven to the authorities. Articles 89 and following of the Solvency II Directive Framework provide a definition of ancillary own funds that perfectly match with sponsor covenants.	Noted

			The current EIOPA proposal seems dangerous in that it tends to value an asset (without any compensation on the liability side in the sponsor accounting statement), and lower the SCR. An IORP, even under funded, would easily meet its capital requirements and would even be encouraged to do so. If sponsor covenant were to be considered as an asset, assessment should be similar to reinsurance (cf. article 81 of the Solvency II Directive). Default risk should be taken into account.	
1.779.	prof.dr. A.A.J. Pelsser HonFIA, Netspar & Maastric	33.	Agree. However, the calculation should take the credit-position of the sponsor into account at times when the sponsor needs to make additional payments. As we have seen in the recent crises: sponsors are typically facing hard times at exactly the same moment when the pension fund is doing badly. Hence the "sponsor support option" may have a significantly lower value than a "simple" call-option calculation might suggest.	Noted
1.780.	PTK (Sweden)	33.	One of the great advantages of an IORP is that it has the ability of risk mitigating mechanisms, just like sponsor support. Sponsor support is an instrument to provide pension security and therefore has to be taking into account. When an IORP can call on sponsor support, it is not necessary for an IORP to have the same kind of capital requirements than an IORP without sponsor support. The same holds for other kind of risk mitigating mechanisms, just like for example a pension protection scheme, intergenerational risk sharing and conditionality of pension benefits. PTK is concerned about the complexity and the subjectivity when determining parameters if this would be part of a holistic balance	Noted

			sheet. There should be simpler methods to allow for capital relief in case of sponsor support.	
1.781.	Punter Southall Limited	33.	It is certainly true that the sponsor covenant is a fundamental part of the risk-mitigation framework that applies to IORPs. However, we do not see the need for a formal valuation of the sponsor covenant as part of a holistic balance sheet. Rather, the existence of the sponsor covenant constitutes a fundamental difference between IORPs and insurance and indicates that an approach based on Solvency II for IORPs is completely inappropriate.	Noted, non-harmonised approach not within mandate
1.782.	Railways Pension Trustee Company Limited ("RPTCL	33.	RPTCL agrees with the principle of placing a value on the forms of sponsor support. However, from a practical perspective, it will be difficult for some pension scheme trustees to place an accurate estimated value on what is, effectively, a subjective matter. We consider that the current approach used by RPTCL (and other UK pension scheme trustees) of adapting the level of prudence within the discount rate used to assess liabilities, in order to reflect the trustees' objective assessment of the uncertainty of the employer covenant, to be a more workable approach. If a value were to be placed on sponsor support, RPTCL considers that this should be treated as an intangible asset. RPTCL would not agree with its use as a solvency capital requirement in addition to technical provisions.	Noted
1.783.	Reed Elsevier Group plc	33.		Noted, non-harmonised approach

			Proper consideration needs to be given to the support of the employer. This is the most significant difference between an insurance company and an IORPS. Even if all forms of sponsor support are taken account of we do not believe that the support of a strong employer will be given sufficient value in any 'holistic balance sheet'. Nor do we believe it will be possible to quantitatively assess the sponsor's covenant. We therefore believe that the company will be disadvantaged by changes to the current regulations as proposed.	not within mandate
1.784.	Sacker & Partners LLP	33.	What is the stakeholders' view on the analysis regarding sponsor support? Do stakeholders agree with EIOPA that IORPs should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement? It is not possible to fully analyse or comment on the HBS proposal when no methodology for valuing the employer covenant has been put forward at this stage.	Noted
1.785.	Siemens Aktiengesellschaft (Germany)	33.	What is the stakeholders' view on the analysis regarding sponsor support? Do stakeholders agree with EIOPA that IORPS should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement? For sponsor-backed IORPs with additional PPS, Component 7 should not be interpreted as a calculated (by evaluation) asset position, instead it has to be interpreted as a flexible compensation position. Regardless of the definition of capital	Noted

			requirements, Component 7 has to be regarded as an asset to fulfil any solvency capital requirement the IORP might face. In any event component 7 has to be qualified as an equivalent to financial assets.	
1.786.	Siemens Pensionsfonds AG (GER)	33.	What is the stakeholders' view on the analysis regarding sponsor support? Do stakeholders agree with EIOPA that IORPS should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement? For sponsor-backed IORPs with additional PPS, Component 7 should not be interpreted as a calculated (by evaluation) asset position, instead it has to be interpreted as a flexible compensation position. Regardless of the definition of capital requirements, Component 7 has to be regarded as an asset to fulfil any solvency capital requirement the IORP might face. In any event component 7 has to be qualified as an equivalent to financial assets.	Noted
1.787.	Standard Life Plc	33.	Standard Life supports the EIOPA view that sponsor covenants should be valued as an asset and that their risk-mitigating effect should be taken into account in the calculation of the SCR. It is vital that an appropriate valuation of the sponsor covenant can be agreed.	Noted
1.789.	TCO	33.	One of the great advantages of an IORP is that it has the ability of risk mitigating mechanisms, just like sponsor support. Sponsor support is an instrument to provide pension security and therefore has to be taking into account. When an IORP can call on sponsor support, it is not necessary for an IORP to have the same kind of capital requirements than an IORP without sponsor support. The same holds for other kind of risk mitigating	Noted

			mechanisms, just like for example a pension protection scheme, intergenerational risk sharing and conditionality of pension benefits. TCO is concerned about the complexity and the subjectivity when determining parameters if this would be part of a holistic balance sheet. There should be simpler methods to allow for capital relief in case of sponsor support.	
1.790.	Tesco PLC	33.	What is the stakeholders' view on the analysis regarding sponsor support? Do stakeholders agree with EIOPA that IORPs should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement? We cannot comment on this area without a detailed proposal for how to measure covenant and associated Impact Assessment. We do not support the use of a solvency capital requirement in addition to technical provisions.	Noted
1.791.	THE ASSOCIATION OF CORPORATE TREASURERS	33.	What is the stakeholders' view on the analysis regarding sponsor support? Do stakeholders agree with EIOPA that IORPs should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement? The ACT does not accept that IORPs need to be funded up to an insurance comparible level however if regulation is seeking to find a comparable basis then it is right to find some methodology for evaluating that sponsor support, and the holistic balance sheet would be one way of doing that. However much will	

			depend on the the methodologies to ascribe value given that the sponsor support is contingent and is provided over time.	
1.792.	The Association of Pension Foundations (Finland)	33.	Sponsor support should be valued as an asset and also act as a risk mitigation mechanism reducing capital requirements. We do not see it approriate that supervisory approval would be required for approval of ancillary own funds in case that sponsor bears the risk. In Finland supervisors see it fit in statutory 1. pillar pensions that value of sponsor bearing the risk only 4 % of sponsors annual payroll. The amount accepted is minimal and would give in effect different approaches in different countries which would not serve purposes of harmonizing or balanced treatment. Current IORP Directive allows simpler way to take in consideration sponsor support. We are in faour to optimise current IORP directive and not to apply solvency I pillar requirements.	Noted, current IORP Directive added as option in explanatory text, but not in advice
1.793.	The Association of the Luxembourg Fund Industry (A	33.	The Respondents in the case of sponsor backed IORPs, are not in favour of the introduction of a Solvency Capital Requirement. We believe that the calculation methods should be defined before introducing the Solvency Capital Requirement, if this is considered to be necessary, and with correct application of proportionality principle. One of the great advantages of an IORP is that it has the ability of risk mitigating mechanisms, just like sponsor support. Sponsor support is an instrument to provide pension security and therefore has to be taking into account. When an IORP can call on sponsor support, it is not necessary for an IORP to have the same kind of capital requirements than an IORP without sponsor support. The same holds for other kind of risk mitigating	Noted

			mechanisms, just like for example a pension protection scheme, intergenerational risk sharing and conditionality of pension benefits. The Respondents are concerned about the complexity and the subjectivity when determining parameters if this would be part of a holistic balance sheet. There should be simpler methods to allow for capital relief in case of sponsor support.	
1.794.	The Hundred Group of Finance Directors (UK)	33.	There can be no doubt that the existence of sponsor support constitutes one of the most important differences between insurance companies and IORPs, and therefore it should certainly be taken into account as part of the regulatory regime for IORPs. However, we believe that the insistence on the inclusion of sponsor support explicitly in a holistic balance sheet is unnecessary, and would lead to considerable costs on the part of schemes (and their sponsors). Our view is that the existence of sponsor support means that a solvency regime for pensions is simply not necessary, and therefore makes Solvency II the wrong starting point for IORPs. We believe that the approach of requiring a quantitative assessment of sponsor covenant is fraught with difficulty and would be at best an extremely expensive and time-consuming exercise. If the Commission insists on an explicit assessment of the level of the sponsor support, then a better approach would be to allow a broad-brush qualitative assessment of the strength	Noted, non-harmonised approach not within mandate

			of the covenant and what that means in terms of the likelihood of benefits being paid to members.	
1.795.	The Society of Actuaries in Ireland	33.	Sponsor covenant should be taken into account only to the extent that it is legally enforceable. There is no debt on employer provision in Ireland, nor is there a Pension Protection Fund (UK initiative), therefore taking account of sponsor covenant in the calculation of the solvency capital requirements would be inappropriate unless there were a legally enforceable contract between the employer and the IORP. The UK requirement to assess sponsor covenant remains quite qualitative, it is not an exact science. To build any regulatory system on a qualitative measure may not be appropriate. If the Commission do want to allow for sponsor covenant to be taken into account, there would need to be a consistent method of quantifying it.	Noted
1.796.	Towers Watson Deutschland GmbH	33.	1. If the notion of the holistic balance sheet is to be embraced, we believe that the sponsor covenant together with any existing insolvency protection scheme should be taken into account as (contingent) financial assets. The value of these two safeguards should equal the difference between required financial resources and actual financial assets. An explicit measurement of a sponsor covenant would require all characteristics to be taken into account – e.g. benefit reduction mechanisms, adjustment of future contributions, obligation of the sponsor to make good any deficit, etc.). Since, presumably, such determinations are highly complex, we emphasise again that significant simplification and even total exclusions should apply in order to satisfy the principles of proportionality and a reasonable relationship between costs and benefit of this exercise.	Noted

			Of particular importance is that any detail as to how this is to be determined should be included in the revised Directive itself and not left to, for example, Level 2 implementing measures. Since, presumably, such determinations are highly complex, we emphasise again that significant simplification and even total exclusions should apply in order to satisfy the principles of proportionality and a reasonable relationship between costs and benefit of this exercise.	
1.797.	Trades Union Congress (TUC)	33.	What is the stakeholders' view on the analysis regarding sponsor support? Do stakeholders agree with EIOPA that IORPs should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement? We recognise that all forms of sponsor support should be valued as an asset. However, EIOPA have presented no practical way to measure sponsor support. As set out above we do not recognise EIOPA's case for the holistic balance sheet. The TUC does not agree that there should be a Solvency Capital Requirement (SCR) on top of technical provisions which would increase scheme funding requirements considerably. This could place intense pressure on defined benefit schemes, resulting in insecurity for scheme members and potential cuts in members' benefits and could ultimately result in scheme closures.	Noted, non-harmonised approach not within mandate
1.798.	Transport for London / TfL Pension Fund	33.	We are in agreement that sponsor support should be seen as an asset and its risk mitigating effects taken into account.	Noted

1.799.	UK Association of Pension Lawyers	33.	CfA 5 (Valuation of assets, liabilities and technical provisions): What is the stakeholders' view on the analysis regarding sponsor support? Do stakeholders agree with EIOPA that IORPs should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement? We do not support the core premise of adapting Solvency II for the generality of IORPs or re-legislating for IORPs by reference to the single market or a level playing field with insurance companies without reference to whether the IORPs actually or potentially "act in a manner similar to insurance companies" or are genuinely and meaningfully competing or operating in the same market as insurance companies. See the general comments we make in relation to question 38 below. We have nonetheless provided a comment in response to the specific question raised here, in the interests of providing EIOPA with a UK technical legal perspective on this matter, but (to emphasise a point made in raised in part (2) of our general comments at the beginning of this document) our having commented on this question should not be interpreted as our having given explicit or implicit support to the proposition of applying Solvency II to the generality of IORPs. Furthermore, this comment can only be viewed as an initial thought in the absence of further consultation on the potential economic effects of Solvency II (see the concerns raised in part (3) of our general comments at the beginning of this document), and indeed in the absence of an opportunity to carry out a more detailed technical analysis of the proposals under consideration and of the likely practical consequences of implementing them (see the comments made in the last paragraph of part (1) of our general comments at the beginning of this document). With those important qualifications in mind, our comment in	Noted

			response to this specific question is that the "one size fits all" approach to the valuation of sponsor support ignores the complexities and costs of such a valuation. See our comments on sponsor covenant in response to question 12 above. We strongly suggest that a financial impact assessment of the proposed harmonised valuation techniques (and the alignment of the IORP directive with Solvency II as a whole) is undertaken in order for the stakeholders to provide fully informed responses.	
1.800.	UNI Europa	33.	See question 22	Noted
1.801.	Universities Superannuation Scheme (USS),	33.	What is the stakeholders' view on the analysis regarding sponsor support? Do stakeholders agree with EIOPA that IORPs should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement? If the holistic balance sheet approach was adopted (which we believe it should not be) USS agrees that that all forms of sponsor support should be treated as assets and should be seen as risk-mitigating factors. USS is concerned about the complexity and subjectivity that would be involved in valuing the sponsor covenant, as well as significant costs incurred in undertaking such an exercise for USS which is a multi-employer pension scheme with approximately 400 sponsoring employers We must point out that EIOPA should not be proposing a major new concept such as this Solvency Capital Requirement until it knows how the SCR would operate in practice – including the issue of how sponsor covenant would be valued.	Noted

1.802.	vbw – Vereinigung der Bayerischen Wirtschaft e. V.	33.	What is the stakeholders view on the analysis regarding sponsor support? Do stakeholders agree with EIOPA that IORPs should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement? As we pointed out in question 12, we do not agree with the holistic balance sheet approach. On the one side it would be very difficult and costly to measure the risk-mitigation effects. On the other side, for sponsor-backed IORPs with additional insolvency protection, component 7 should not be interpreted as a calculated (by evaluation) asset position, instead it has to be interpreted as a flexible compensation position. Regardless of the definition of capital requirements, component 7 has to be regarded as an asset to fulfil any solvency capital requirement the IORP might face. In any event component 7 has to be qualified as an equivalent to financial assets.	Noted, non-harmonised approach not within mandate
1.803.	Verband der Firmenpensionskassen (VFPK) e.V.	33.	The valuation of the employer commitments to pay further contributions or assume part of the payments is an integral component which cannot be separated from the overall commitment.	Noted
1.804.	Verbond van Verzekeraars	33.	The sponsor support should in our view be treated as an asset, and as such be part of the holistic balance sheet.	Noted
1.805.	VHP2 (Vakorganisatie voor middelbaar en hoger pers	33.	We agree that sponsor support should play a role in the assessment of the security level provided. We also agree that theoretically, the valuation framework under the holistic balance sheet offers attractive possibilities to achieve this. We are however very concerned with the complexity involved and the	Noted

			subjectivity regarding the determination of certain parameters necessary. This subjectivity may lead to substantial differences in the assessment of the sponsor support between the IORP and the supervisor that may prove difficult to resolve. We therefore urge EIOPA to also consider investigating simpler methods to allow for capital relief in case of sponsor support.	
1.806.	Whitbread Group PLC	33.	Placing a value on Whitbread's "support" for the pension scheme would be very subjective and distract trustees from the real risk issues faced by the pension scheme. We believe that because we offer support, our pension scheme should not be subject to the solvency capital requirement.	Noted
1.807.	Zusatzversorgungskasse des Baugewerbes AG	33.	39. We are concerned about the complexity and the subjectivity when determining parameters if this would be part of a holistic balance sheet. There should be more simple methods to allow for taking sponsor support into account, not in monetary terms. 40. We fear that this might lead to an obligation to recognise the same amount in the sponsors balance sheet. Within the structure of an industry-wide pension fund like ours this can not be handled. There are no individual accounts, neither for employers nor for beneficiaries regarding accrued benefits or liabilities. They are even impossible because 90 % of all employers within our pension fund have less than 10 employees. There are only two of 70.000 employers that are registered at a stock exchange. These specificities of industry-wide IORPs based on collective agreement, for instance a large number of sponsoring employers, as well as the feasibility of some IORPs to combine increases in contributions and subsidiary liability forms of sponsor support have to be recognised in a proportionate way.	Noted, possibility of including value in employer's balance sheet is added as negative impact

			However if EIOPA insists on the holistic balance sheet approach we prefer to value all forms of sponsor support as reduction of technical provisions. They might be valued similar to premium adjustment clauses from (SLT) health insurances. The impact of the risks (e.g. life underwriting risk and/or interest risk) should be limited to a certain time frame (e.g. 3 years) as the sponsor support will compensate for the risks after that time frame. Even the time frame might only be necessary as an assessment and reaction interval.	
1.808.	Towers Watson	33.	34. What is the stakeholders' view on the analysis regarding sponsor support? Do stakeholders agree with EIOPA that IORPs should value all forms of sponsor support as an asset and take account of their risk-mitigating effect in the calculation of the solvency capital requirement? We agree with EIOPA's analysis regarding sponsor support. If a fully harmonised approach to the calculation of technical provisions is the aim, then it would be logical to show the value of sponsor support as an asset in the holistic balance sheet, rather than as an adjustment to the liabilities. In this case, we agree with EIOPA's conclusion that option 1 is the most appropriate, ie so that the existence of sponsor support is also reflected in the solvency capital requirements where these are required. However, as mentioned before, we do have significant concerns about whether employer covenant can be adequately and fairly represented by a single value. In the UK, assessment of employer covenant strength has been a feature of the regulatory regime for several years, and much experience has been gained. A sizeable professional service industry now exists to support formal analysis of employer covenant. Irrespective of how objective such assessments are, they rarely result in a single	Noted

			value being place on the covenant, or even include such a value. Whilst further work is required in this area, a practical approach might, therefore, be to assess the value of sponsor covenant in broad bands, with a judgement then being made as the extent to which the covenant can cover the difference between technical provisions and the value of physical assets held, contingent assets and (if necessary) solvency capital requirements. This would be a modification of the holistic balance sheet approach, in that the balance sheet would not be shown as balancing. Instead, it could lead to a 'risk rating' depending on the extent to which any shortfall in the balance sheet was deemed to be covered by the value of employer covenant, with appropriate supervisory measures depending on the risk rating.	