	Comments Template on **Discussion Paper on Sponsor Support Technical Specifications**	**Deadline** **31 October 2013** **18:00 CET**
Name of Company:	ALSTOM	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
	Please follow the following instructions for filling in the template: ⇨ Do **not** change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇨ Leave the last column empty. ⇨ Please fill in your comment in the relevant row. If you have no comment on a question, keep the row empty. ⇨ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. **Please send the completed template, in Word Format, to DP-13-001@eiopa.europa.eu** **Our IT tool does not allow processing of any other formats.** The numbering of the questions refers to Dicussion Paper on Sponsor Support.	
Reference	**Comment**	
General Comment	Alstom is a manufacturer of transport and power equipment, with activities in more than 70 countries and 90000 employees worldwide. The group sponsors many pension schemes within and outside the European Union and has acquired a thorough knowledge in this area. We welcome this opportunity to express our concerns about the future of occupational pensions in Europe. Sponsoring companies are key stakeholders in this debate, and we need to stress at this point that their representation is in our view not properly ensured in the OPSG of EIOPA. We do not believe that the Holistic Balance Sheet – of which the sponsor support is a component – is an appropriate framework for IORPs. More generally, we do not agree that the prudential	

	framework for occupational pensions is derived from Solvency II. Like many other stakeholders (pension funds, employers, trade unions, governments, OECD…), we fear that the proposed quantitative approach might have serious adverse consequences on pension systems, employment and long term investment in Europe. The European Commission has, to a large extent, acknowledged these concerns and decided not to introduce additional solvency requirements in its future IORP Directive. Therefore, it is not clear why EIOPA continues technical work in this area. Moreover, it makes no sense to discuss prudential rules for IORPs before any political decision is made about their role in the overall pension system and in the economy of the European Union. The starting point of the debate should be the principles stated in the White Paper "An Agenda for Adequate, Safe and Sustainable Pensions" and in the Green Paper on "Long-Term Financing of the European Economy". First pillar pensions will be limited by the scarcity of Member States resources, and occupational pensions must then form a growing part of European pension systems. Today, less than a half of European citizens have access to a workplace pension. Extending the coverage of workplace pensions should be Europe's priority, rather than increasing the regulatory burdens on existing and well-established pension schemes.	
Q01.	**Should IORPs be provided with additional guidance for conducting stochastic valuations of sponsor support?** No, EIOPA relies far too much on mathematics and no further guidance is required. The model is complicated enough, and we doubt further stochastic refinements would make it any better. In our view, "sponsor support" cannot be seen solely as a quantitative item, measured against a few financial metrics. The concept also relates to social law, labour market practices, local and international regulation, corporate willingness and reputation, etc… It is certainly not easy to assess the enforceability of a sponsor commitment, especially when	

	there are many sponsors and pension funds involved and interconnected. But it is not obvious that the solution is to be found in stochastic mathematics.	
Q02.	**Should IORPs be provided with additional guidance for conducting valuations of sponsor support using either Simplification 1 or 2? Should either of these simplifications be removed or should any other simplification be developed?** There are quite a few simplifications already available, and they give significantly different results. In the end, this is confusing and makes the whole process much more complicated. EIOPA should aim at a unique and simple approach from the very beginning. Yet there is one simplification which would be welcome: in countries where there is a Pension Protection Scheme (PPS), IORPs could be exempted from computing sponsor support valuation. As the PPS will intervene in case of sponsor default, one can assume that each IORP is supported by all sponsors contributing to the PPS.	
Q03.		
Q04.		
Q05.		
Q06.		
Q07.		
Q08.		
Q09.	**Do stakeholders think that limited conditional sponsor support should be valued and included on the holistic balance sheet? Should it be included separately?** Indeed, it should be included. There is not always a firm obligation for the sponsor to support a pension scheme. In many cases, obligations result from negotiations between the sponsor and the beneficiaries, or there is simply a soft commitment from the sponsor to support the IORP. How to measure these mathematically is still an open question.	

Q10.	**Should more detailed guidance be provided in future technical specifications to value sponsor support that is subject to discretionary decision-making processes? If yes, please explain in what way. Could the suggested detailed guidance also be applied to benefit adjustment mechanisms that contain discretionary elements?** See question 9	
Q11.	**Please provide your general comments on the alternative approach.** It is not really different from the QIS approach. EIOPA avoids explicit reference to credit ratings, but adopts the methodology of rating agencies. In the end, this seven-step simplified process is still overly complicated, and the results will still be highly subjective and unreliable.	
Q12.	**Does the alternative approach address the concerns raised during the previous consultation on the technical specifications?** Not really. We still feel EIOPA has elaborated sophisticated equations around a basic scenario involving one sponsor and its IORP. But this basic scenario is absolutely not representative of the actual occupational pension landscape in Europe. In reality : - Pension sponsors are not always stand-alone entities : they have subsidiaries and/or belong to a wider group - Many companies sponsor several pension schemes: some of these schemes are IORPs, others are not - Many IORPs have several sponsoring employers (sometimes a whole sector) - IORPs are only the second pillar of a far wider social security system - The links between the different entities involved are not as straightforward as EIOPA would like them to be.	

	Therefore we believe the Holistic Balance Sheet is a mathematical dead-end. Modelling each single entity of the pension system through stochastic equations with the hope to get a clear global picture in the end is really a strange idea. Actually, no other regulator worldwide has ever launched a similar project.	
Q13.	**Are there any areas that have not been addressed adequately enough?** See question 12. Major issues are left open : modelling of multi-employer schemes, of sponsors of several schemes, of sector schemes, of group guarantees, etc … Again, these issues are far from anecdotic. The HBS was designed for very simple cases (one sponsor for one IORP), and most of the European pension system needs to be treated as exceptions to the model.	
Q14.		
Q15.		
Q16.		
Q17.		
Q18.		
Q19.		
Q20.		
Q21.		
Q22.		
Q23.	**To what extent are there any IORPs whereby sponsor contributions cannot exceed certain limits (even if contributions are affordable)?** Pension contributions are usually tax deductible. Therefore legislation often caps pension contributions to avoid that pension schemes are used for tax avoidance purposes.	

	In some pension schemes, risks are shared between the sponsor and the beneficiaries. A rise in sponsor contributions means a rise in member contributions, which needs to be agreed by both parties.	
Q24.		
Q25.		
Q26.	**Is it reasonable to not allow for any recoveries from sponsor defaults? Please provide examples where this could increase the calculated value of sponsor support.** IORPs usually have at least the same seniority as bondholders in case of sponsor bankruptcy. Knowing that bondholders usually recover a significant portion of their investment, it seems reasonable that recoveries are also allowed in sponsor support valuation.	
Q27.	**Is it appropriate to do separate calculations to allow for sponsor support from other group companies (both for legally enforceable and not legally enforceable support by group companies)?** Yes, in theory, just like it is appropriate to take into account the support brought by each company to all its pension schemes. This is eventually what a “holistic” approach aims to achieve. But is it feasible in practice? And will the outcome make any sense? Let us consider our British pension scheme as an example. - This is a dedicated IORP, sponsored by several of our UK subsidiaries, with an explicit guarantee of the Alstom Group on top. - But our UK subsidiaries also have commitments with a multi-employer pension scheme. - And the Group sponsors several other DB schemes, of which an American and a Swiss pension funds (non IORP), German book reserves (non IORP), etc … To build its holistic balance sheet “appropriately”, our British IORP will need to compute the financial strength of the whole Alstom Group and deduct the support brought to all pension funds. In practice, this looks like a worldwide application of Solvency II, and we do not believe the	

	outcome will be reliable or useful.	
Q28.	**Should any other guidance be included on how to allow for sponsor support from other group companies?** The real question is whether this is feasible (see question 27).	
Q29.	**What could be other valid reasons why the IORP should or should not take the financial position of the wider sponsor group into account when assessing the sponsor's financial position?** The real question is whether this is feasible (see question 27).	
Q30.		
Q31.		
Q32.	**Are there any other types of sponsors that should be included?** See question 27. A company often sponsors several pension funds, and EIOPA should be aware that not all pension funds are IORPs. We hope we are not expected to apply Solvency II to non-IORP schemes as part of the holistic approach. In 2012, a detailed study of the DB commitments of the French CAC40 companies showed that : - One third of commitments are IORPs (British and Dutch pension schemes …) - One third are European commitments, but not IORPs (French and German provisions…) - One third are non-European commitments, therefore not IORPs (US pension schemes…)	
Q33.	**What additional work should be carried out if this methodology was to be used for determining sponsor support in a regulatory or supervisory environment?** This methodology cannot be used in any regulatory environment. It is far too complicated and subjective, and it hard to see how forcing all IORPs into sophisticated computations will enhance the safety and sustainability of European pensions.	

	Regulation should be simple and clear, and should provide an incentive to finance pension funds. In the United States, for instance, all pension schemes are valued exactly the same way, whatever their sponsor. And all sponsors pay the same fixed percentage of the pension deficit as a mandatory contribution to the national pension protection scheme.	
Q34.	**What other improvements could be made to the suggested approach?** Giving up the HBS would be the best way forward. The methodology is far too complex, without any real benefit for the European pension system.	
Q35.	**Are there any aspects of the suggested approach which are unclear?** Yes, major issues are left open. See questions 12 and 27.	
Q36.	**How could the average financial strength of an industry be determined?** Is it really necessary to compute it? When there is a pension protection scheme or solidarity between sponsors, it offsets the sponsor default risk.	