	Comments Template on Discussion Paper on Sponsor Support Technical Specifications	**Deadline 31 October 2013 18:00 CET**
Name of Company:	AEIP – The European Association of Paritarian Institutions of Social Protection	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
	Please follow the following instructions for filling in the template: ⇨ <u>Do **not** change the numbering</u> in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇨ Leave the last column <u>empty</u>. ⇨ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a question, keep the row <u>empty</u>. ⇨ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. **Please send the completed template, <u>in Word Format</u>, 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 Discussion Paper on Sponsor Support.	
Reference	**Comment**	
General Comment	AEIP represents the social protection institutions jointly established and run by the Social Partners. AEIP Members cover a number of social protection branches, such as pensions, healthcare, long-term care, health & safety at work and unemployment benefits. Within the pension field, paritarian institutions are involved in both the managing of the first pillar and of the second pillar pensions, in accordance with the different European pension systems. AEIP represents pension schemes that are managed on pay-as-you-go (PAYG), mixed and funded basis, as well as defined contributions (DC), defined benefits (DB), and hybrid schemes. Today, AEIP has 27 members (mostly occupational pension funds - IORPs) in 18 European countries, and it covers, through its members, about 75 million European citizens and € 1.3 trillion in assets.	

	AEIP reasserts that the Holistic Balance Sheet (HBS) is an interesting and intellectually appealing concept. Indeed, the tool has been designed by EIOPA as a way for IORPs to value their steering mechanisms and the pension protection mechanisms available in their respective countries. However, the HBS seems far from being functional and efficient and there are still many aspects which need to be clarified. However AEIP also questions what the final goal of the HBS actually is, because the HBS seems to mix the aims of “giving the members an insight in the safety of their pension” and “giving an overview of the insolvency risk of the IORP”. Both are fundamental aspects, but they differ substantially. Next to this, the complexity embedded in the calculations, as well as the model risk posed by the excessive number of subjective assumptions, casted many doubts on the validity and meaning of the results provided. AEIP believes that there is no need for a uniform security level all over the EU, because the security of the pension promise is part of the Social and Labour Law (SLL) and/or the agreement amongst social partners. In fact, pension security should take into account the nature of the social contract of the pension promise, since different security levels are accepted within national SLL. AEIP questions the willingness of EIOPA to pursue the HBS project as the European Commission, according to our knowledge, has refocused its efforts on transparency and governance measures. For AEIP it is of utmost importance that the political impact and priorities around the review of the IORP Directive, and the roles of the European Commission and EIOPA are clarified. AEIP welcomes the possibility to comment on the Discussion Paper on Sponsor Support Technical Specifications and raises the following remarks: - IORPs are very diverse and there is no one-size-fits-all solution for assessing the security of a scheme. The HBS is neither the right tool nor the right way to compare IORPs that respond to different collective agreements and social and labour laws and to the diverse rules set out by the social partners.	

- The HBS, as it is currently designed, would only provide a very expensive picture of a theoretical-assumptions-driven solvency position of an IORP, without fully appreciating the role of social partners in setting contributions, managing pension benefits etc.. Even inside a single Member State, occupational pensions schemes might have diverse adjustment mechanisms that make them very different from each other. In this sense, each scheme can prove to be unique.

- EIOPA should consider the impact its current works and the continuous discussions on the HBS might have. Indeed, if the sponsor support element of the HBS has to be mirrored in the balance sheet of the sponsor, this would discourage European employers to provide occupational pensions and might push them to shift from DB to DC.

- The proposed methodology represents an effort towards more simplification for the valuation of sponsor support. However, all situations which do not fit in the 1-1-1-1 model (1 sponsor, 1 IORP, 1 promise, 1 country), i.e. multiemployer, multinational sponsoring undertakings, multi pension promises by one sponsoring undertaking, one pension promise executed by different pension provides and industry wide schemes cannot be worked out with the proposed methodology.

- AEIP appreciates that EIOPA recognizes that more study needs to be done on the valuation of multi-employer and industry wide sponsor support. However, AEIP strongly doubts that any methodology might fully appreciate the complexities and unique features of how industry wide schemes work across Europe. Indeed, the involvement of social partners in the decision-making process over the steering and adjustment mechanisms cannot be standardised.

- As for the proportionality issue, AEIP finds essential that the HBS does not constitute an additional burden for IORPs. At the moment, the simplifications proposed address this point, but are still too complex. They require skills that are not necessarily needed for

	running an IORP (such as forecasting the sponsor's financial results) and might involve confidentiality issues. - Within the Discussion Paper there are elements embedded in the methodology proposed (income cover; asset cover) that hamper dramatically the comparability of the results across European Member States. Indeed, each MS has its own accounting and recovery rules. Also, the way each IORP could value its sponsor support using subjective assumptions thus adding to incomparability of the results. - AEIP welcomes the alternative approach proposed by EIOPA, as it tries to find a solution for valuing sponsor support when no rating is available. However, it should be noted that the proposed methodology is still linked to credit-rating, reflecting the illiquidity rather than the solvency risk of the sponsor. It does not appear clear whether this focus is the right one to value the strength of the sponsor support. In the current times of crisis this might prove counterproductive. Following to the above considerations, AEIP decided to respond each question of the consultation, even though it reaffirms that the Holistic Balance Sheet is neither needed nor workable.	
Q01.	**Q1: Should IORPs be provided with additional guidance for conducting stochastic valuations of sponsor support?** AEIP wants to stress that stochastic valuations should not be the only way to perform a valuation, even though this might introduce differences in the way results can be analyzed. Deterministic valuation should remain possible since it is unlikely that small or medium sized IORP's will apply a full stochastic valuation of the sponsor support. AEIP would also like to highlight some doubts about the text of the Discussion Paper itself. For	

	instance, in Section 3.2 there is no mention about probabilities of default. It thus does not appear clear whether the probability of default has to be calculated according to Section 3.5. This should be clarified. It should also be clarified whether the gap between assets and technical provisions has to be adjusted with probabilities of default. Finally it should also be clarified whether all four methods outlined in the paper (stochastic, deterministic simplification 1, deterministic simplification 2 and the alternative) can be used.	
Q02.	**Q2: 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?** Simplification 1 does not provide much relief as it still proves to involve complex calculations. Therefore AEIP predicts that even with additional guidance the number of IORPs choosing this method will remain low. Regarding Simplification 1 and 2 some industry wide IORPs may not able to assess the sponsor support data in an appropriate way.	
Q03.	**Q3: In the stakeholders' view what role should the concept of maximum sponsor support play in the general valuation principles for sponsor support?** AEIP believes that the concept and added value of the maximum sponsor support needs to be first of all clarified. Since it seems to be difficult to come up with a sharp estimate, the maximum sponsor support could be used as a control variable to avoid unrealistic results of other calculations or as an indicator of a maximum risk for the sponsor. Also, it might be used as an assessment criterion, in case the sponsor support has to be used as a balancing item in the holistic balance sheet.	

	However, it should be noted that currently the calculation of maximum sponsor support is biased by the arbitrary variables used and the methodology does not suit industry wide or multi-employer schemes. Moreover the information costs rise with every new data requirement. Therefore the need for additional information should be assessed carefully.	
Q04.	**Q4: Is wage an appropriate additional measure for estimating the maximum amount of sponsor support? If so, please explain why? Are there any other measures which could be used to assess the maximum sponsor support?** AEIP would like to refer to the answer provided in Q03. Indeed, it does not appear clear what is the added value of the maximum sponsor support in the framework proposed. As such, AEIP reiterates that EIOPA should clarify the role of maximum sponsor support, before assessing how to calculate it. However, if EIOPA would consider further investigations on the calculation of this element for some industry wide pension funds wage may be in many cases a measure for estimating sponsor support. This is conditional to the availability of data, which might change substantially across countries. Finally, the wage sum of the industry can be measured relative to the total wage sum of the country to get only an impression of the relevance of the scheme.	
Q05.	**Q5: Are stakeholders comfortable with the concept of linking default probabilities, credit ratios and sponsor strength?** This can be a very challenging approach, since we assume the credit ratios to be dependent on the industry sector. In general the concept is neither elaborated far enough nor suitable to support industry wide or multiemployer-IORPs. In particular, some concerns remain:	

	- The access to sponsor data is an issue still to be addressed and needs further investigation, as it involves confidentiality issues. - Moreover, availability of sponsor data might be a concern. Indeed, in a number of Member States, financial statements are published once a year (usually in the second half of the year). This would provide IORPs with information that are not up-to-date and might be even 1 year old. - There is an important difference between defaulting on issued bonds (it might be a liquidity issue) and being insolvent. - As mentioned above, all situations which do not fit in the 1-1-1-1 model (1 sponsor, 1 IORP, 1 promise, 1 country) cannot be worked out with the proposed methodology. - The credit ratings used to value the sponsor strength in the proposed methodologies involve a number of weaknesses. Indeed they are based on historical information, mainly US based and the choice of credit rating agency might provide different values. - The seniority of pension benefits and that of corporate bond differ. Indeed, if a company defaults on issued bonds, it does not mean it is insolvent on its sponsor support payment.	
Q06.	**Q6: Do stakeholders agree with exploring the possibility of including a standard table in the technical specifications that links credit ratios with default probabilities?** In practice, this can be a very challenging approach, since we assume the credit ratios to be dependent on the industry sector. In general the concept is neither elaborated far enough nor suitable to support industry wide or multiemployer-IORPs. AEIP suggests that a standard table might be provided as first guidance. However, each IORP should have the possibility to design its own model, on a “comply or explain” principle.	
Q07.	**Q7: Do stakeholders have other suggestions to derive default probabilities of the sponsor and to reduce reliance on credit ratings?**	

	For industry wide schemes the wage sum of the industry relative to the total wage sum of the country could be of interest. Additionally some industry wide IORPs have historical information on sponsor default that even nowadays can be used to calculate depreciation on outstanding contributions. If these quotas are reliable (e.g. they are available for at least five years) and approved by auditors, they may be applied on the maximum sponsor support data. IORPs should be allowed to develop their own models of estimating and (back-) testing internal models based on historical evidence without excessively high standards in mathematical precision. Alternatively, AEIP suggests that the credit spread in the cost of funding of the sponsor could be examined as a possible measure. However, it should be highlighted that a part of the credit spread could be due to potential “liquidity” issue of the borrower, rather than to potential “insolvency” issues. We also refer to our answer on question 24.	
Q08.	**Q8: Do stakeholders agree that timing of sponsor support reflecting the affordability of making additional payments could be an improvement to the general principles for valuing sponsor support?** AEIP believes that at this stage it is very difficult to respond to this question. In particular, it does not appear clear whether the maximum period as determined in national legislation can overrule the period to value the sponsor support. More information on the supervisory framework would be needed. Also, it should be taken into consideration that the balance sheet of the sponsor changes over time. This is currently not taken into account in the proposed methodology.	
Q09.	**Q9: Do stakeholders think that limited conditional sponsor support should be valued and included on the holistic balance sheet? Should it be included separately?**	

	AEIP believes that the concept of limited conditional sponsor support should be valued and included in the holistic balance sheet separately. It should be left to the discretion of the IORP whether to include this element in the holistic balance sheet. AEIP sees a connection between this element and the concept of "Last Man Standing (LMS)" in some industry wide schemes. Especially if this principle has been applied in practice all the time since the creation of the IORP, i.e. social partners and sponsoring companies are acting in that way it might be assumed that this practice will be continued. So it should not be neglected in the calculation of the sponsor support.Moreover, including this element separately would provide valuable information on the relation between sponsor support and other adjustment mechanisms (i.e. conditional indexation).	
Q10.	**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?** AEIP believes that this element is highly relevant to some IORPs, but without an evaluation of the procedures of sponsor support which take historical evidence into account, any assessment would prove incomplete and misleading. This also leads to a case-by-case approach. Indeed, AEIP suggests that it should be left to the discretion of the IORP whether to use the methods proposed or providing an own estimation with sufficient explanation in prevalent cases.	
Q11.	**Q11: Please provide your general comments on the alternative approach.** AEIP welcomes the alternative approach proposed, as it aims at providing a suitable methodology for small and medium sized IORPs and a way to work with non-rated sponsors.	

	However it only works for the already mentioned 1-1-1-1 model (1 sponsor, 1 IORP, 1 promise, 1 country) and for industry wide schemes the alternative approach is impossible to handle. Moreover, the alternative approach is only applicable to IORPs with unlimited sponsor support, as the calculation is based on the gap between financial assets and technical provisions. It is thus not suitable to IORPs that have conditional and/or limited sponsor support.	
Q12.	**Q12: Does the alternative approach address the concerns raised during the previous consultation on the technical specifications?** The alternative approach addresses some of the concerns raised in the last QIS. However, AEIP stresses that the proposed methodology might still be too burdensome for small and medium-sized IORPs, as it involves many sophisticated stages, which require confidential and sensitive data to be performed. Moreover, it does not fit situation that differ from the 1-1-1-1 model (1 sponsor, 1 IORP, 1 promise, 1 country) case. AEIP also questions the willingness of EIOPA to develop methodologies that aim at valuing the sponsor support as a fixed number. The reality is way more complex, as the strength of the sponsor and its capacity to guarantee the pension promise evolve in time, and it also depends on the future economic development and policies of the sponsor. The period over which sponsor support is relevant is too long to be properly assessed. Furthermore, the possibility that the sponsor support element of the HBS has to be mirrored in the balance sheet of the sponsor would provide a huge disincentive for employers to provide occupational pensions or push them to shift from DB to DC.	
Q13.	**Q13: Are there any areas that have not been addressed adequately enough?** The problems of multiemployer, multinational sponsoring undertakings, multi pension promises	

	by one sponsoring undertaking, one pension promise executed by different pension providers and industry wide schemes should be addressed in more detail and further studied. The fact that many industry wide schemes have often thousands of independent sponsors is not treated in a sufficient manner. AEIP still questions whether a proper methodology for industry wide IORPs can actually work, given the difficulties in assessing the strength of an industry rather than a single company.	
Q14.	**Q14: Are IORPs still likely to want to calculate a maximum value of sponsor support (even if not required under the alternative approach)? If so, for what purpose?** AEIP believes that the concept and added value of the maximum sponsor support needs to be first of all clarified. Since it seems to be difficult to come up with a sharp estimate, the maximum sponsor support could be used only as a control variable to avoid unrealistic results of other calculations or as an indicator of a maximum risk for the sponsor. Also, it might be used as an assessment criterion, in case the sponsor support has to be used as a balancing item in the HBS.	
Q15.	**Q15: Do stakeholders have other suggestions to adjust these ratios to cater for different sectors?**	
Q16.	**Q16: Does Stage 1 contain enough information and guidance for IORPs to calculate a credit strength that is proportionate for QIS purposes?** For multi-employer/industry wide schemes information and guidance are not applicable. It is not clear how to obtain and how to apply average estimations of the required ratios. Statistical sampling might solve this issue. However, it should be stressed that sponsoring companies do not have any legal obligation to provide data for a sampling exercise and their willingness to provide	

	these data on a voluntary basis might prove poor. AEIP would also like EIOPA to solve two issues linked to: - Paragraph 54: IORPs should calculated at least two standard credit ratios: it is not clear who has to identify these ratios (EIOPA or the IORP itself?). Will it be the same ratios for all industries? - Paragraph 57: it is not clear who will define the table 2(EIOPA or the IORP itself?). AEIP suggests that each IORP should have the possibility to design its own model, on a "comply or explain" principle.	
Q17.	**Q17: Does Stage 1 contain enough guidance for IORPs to do their own calculations if they believe this is appropriate for them to do so?** For industry wide, group entities, multi-employer, multinational, public sector companies, the proposed approach is not suitable.	
Q18.	**Q18: Are Income Cover and Asset Cover suitable credit ratios to use for Stage 1?** AEIP questions the availability and timing of the sponsor data needed to calculated the required ratios. Furthermore, in relation to the proposal of using the Asset Cover ratio, it should be considered that this may not always be appropriate due to possible liquidity constraints (e.g. the capital of a sponsor might be locked into non-liquid assets) or competing claims on the available capital of the sponsor. Asset cover ratio relies on the assumption that IORPs are the most junior creditors of the sponsor. This requires further investigation. For industry wide schemes in particular, AEIP would like to finally mention that the required	

	increase in contributions relative to the total wage sum is a necessary ratio, since income and asset cover data are impossible to acquire.	
Q19.	**Q19: Are the parameters used to determine sponsor strength in Table 4 appropriate?** For industry wide schemes these parameters are impossible to acquire and therefore not appropriate. AEIP also assumes that the proposed credit ratios are based on local GAAP information. This might pose an issue in consistency and comparability of the data provided, as GAAP differs significantly across Member States. In addition, AEIP would like to ask EIOPA to further explain this issue and whether EIOPA is sure about these parameters.	
Q20.	**Q20: What other definitions of earnings or net assets could be used in sectors where the standard definitions are not appropriate?** The definitions proposed might be suitable in principle, but the problem remains that the calculations will still have to be based on assumptions that are subjective. Also, if macroeconomic data might be used for further valuations, i.e. at industry wide level, definitions used by the national bureaus of statistic research might differ from the one used by EIOPA.	
Q21.	**Q21: Are the periods shown in Stage 2 appropriate (bearing in mind this is for QIS work only, and not to determine a policy response)?** It is difficult to say whether the periods shown in Stage 2 are appropriate or not. Indeed, the	

	methodology relying on these periods raises many doubts. For instance, it is not clear whether these periods could be overruled by national legislation or decisions of the national supervisor. AEIP suggests that historical evidence might work as an alternative approach and invites to investigate it, if EIOPA wants – against the AEIP suggestion - to continue with the HBS. Finally, it would be useful to receive more information on the length of the recovery periods.	
Q22.	**Q22: Do you agree that time periods for contributions for the QIS calculations for sponsor support should be based on affordability or should they be based on willingness/obligation to pay?** We think that affordability is more suited. But in the end the concept should be based on legal obligation and historical evidence, as the affordability concept cannot possibly be exhaustive. Indeed, there are information (such as the planning of future investments) that are not visible in the accounts and might have an impact on the sponsor support.	
Q23.	**Q23: To what extent are there any IORPs whereby sponsor contributions cannot exceed certain limits (even if contributions are affordable)?** This is difficult to assess, as this should be assessed on a case-by-case basis.	
Q24.	**Q24: Are the annual probabilities of default appropriate for future QIS purposes? If not, why not?** For IORPs with a single sponsor, it seems strange that the assessment of a sponsor's strength will in part be determined by the existing gap, and that subsequently this strength leads to a high probability of default in this procedure. What if we consider a sponsor with good cashflows and prospects, that is simply much smaller than the IORP (maybe due to recent reorganisations)? This sponsor may be very well able to pay a small amount for a long period, with small probability that it doesn't pay this small amount.	

	For multiemployer and industry wide schemes, the default probabilities are not suitable. In particular the default probability of an industry (whether it can actually be valued) is not generally linked to the default probability of a single company which belongs to the sector. The concept is not appropriate for industry wide schemes applying a de facto “Last Man Standing” principle. For every defaulting company, newly founded companies take over. Outstanding contributions might pose the only concern for these schemes, but if the scheme is based on collective equivalence, even outstanding contributions are provided for by the other scheme members. The procedure itself seems to result in a very big gap between “weak” and “very weak”. This is not desirable, as the quality of the assessment wil then become very important. The default rates are taken as derivatives of the credit rates. The advantages and disadvantages for doing so are listed on page 46/47. Further investigation for suitable alternatives might be valid. The probabilities of default seem to be much higher compared to those used in the QIS exercise, and those used in the context of Solvency II. Why ? Please note we highly question how these probability of defaults are used afterwards. Instead of applying these probabilities on a big number of cases, they are only applied on a single case. In other words, we ignore the law of large numbers. As such we can hardly believe the outcome is a reliable number.	
Q25.	**Q25: Do stakeholders have any comments on stage 3?** It does not appear clear what the interest rate of 3% actually represents and whether and how it would vary by country. EIOPA should clarify this.	
Q26.	**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.**	

	It seems to be too severe for most IORPs not to allow for any recoveries. AEIP also points out that recoveries are regulated at national level. This should be take into account, as the different ways recoveries are regulated might pose issues for the comparability of the holistic balance sheets results across the EU. Not taking into account any recoveries : • totally ignores the solidarity approach in the context of many multi-employer IORPs; • the probability of default determined by the credit ratings are based on the defaults which are often caused by problems of liquidity. This does not always means there is insolvency. Using these probabilities of defaults in combination with no allowance for recoveries is too severe. For industry wide schemes applying a de facto “Last Man Standing” principle recovery rates are irrelevant. Outstanding contributions might pose the only concern of such scheme, but if the scheme is based on collective equivalence – which some are - even outstanding contributions are provided for by the other scheme members.	
Q27.	**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)?** No, not necessarily. There might be a need for more research on the different ways a group of companies link to their IORP. For instance, there might be a main sponsor that pays the contributions to the IORP and eventually charges the contribution to the respective group companies. It might also be the main sponsor (rather than the IORP) that has the internal claim on the individual companies of the group. In such a case, separating the calculations for sponsor support between the companies of a same group might prove challenging and expensive (for	

	instance the comparability of local GAAP accounts should also be take into consideration). Again, a case-by-case approach might be tested.	
Q28.	**Q28: Should any other guidance be included on how to allow for sponsor support from other group companies?** Please see response to Q27.	
Q29.	**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?** Financial strength and support of all subsidiaries feed into the group holding. Necessary financial data are available often only at holding level.	
Q30.	**Q30: Is the approach to determining the loss-absorbing capacity appropriate?** AEIP understands that SCR is still an iterative process and invites EIOPA to clarify this point. Showing the gross SCR elements together with the loss absorbing mechanism, such as ex-post benefit reduction and sponsor support, might have an added value in terms of transparency to the stakeholders.	
Q31.	**Q31: Should any other sensitivity analysis be considered?** Sensitivity analysis is already too extensive especially if it needs to be seen in combination with the SCR approach. Could the sensitivity analysis be used as a short cut for the complicated and iterative SCR	

	calculation? (e.g. for smaller IORPs, a full SCR approach every 5 years and in between a sensitivity analysis only?) Industry wide schemes need a different, more macroeconomic oriented set of sensitivity parameters.	
Q32.	**Q32: Are there any other types of sponsors that should be included?** The sponsors of industry wide schemes or generally the multi employer situation is not treated in a sufficient manner. Also, cross border IORPs or IORPs with self-employed individuals are not addressed.	
Q33.	**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?** An acceptable way to calculate the required credit ratios for multiemployer, public sector, multinational, self-employed, industry wide schemes as well as for sponsoring undertakings with more than one pension promise, or sponsoring undertakings with one pension promise organised via different pension institutions, etc. has to be found. It seems to be clear that there will never be exact calculations. So EIOPA should accept certain approximations and accept that a case-by-case approach might be useful for some elements, such as the discretionary decision making. The approach proposed is still very complex and burdensome. It does not appear clear whether running a new QIS with this approach would solve many of the issues encountered during the first QIS. Finally, EIOPA should consider the impact its current works (and further QISs) on the HBS might have on discouraging European employers from setting up new IORPs. Indeed, the possibility that the sponsor support element of the HBS has to be mirrored in the balance sheet of the sponsor	

	would provide a strong disincentive for employers to provide occupational pensions and might push them to shift from DB to DC. In this respect we also would like to raise awareness of the need to further investigate the macro-economic impact of the HBS.	
Q34.	**Q34: What other improvements could be made to the suggested approach?** The iterative process of the calculations is only feasible if accompanied by good tools that reduce the administrative burden and take into account the proportionality for small and medium sized IORPs. A solution that fit the IORPs different from a 1-1-1-1 situation (1 employer, 1 pension institution, 1 pension promise, 1 country) should be investigated. We would rather welcome solutions that do not ignore the wider impact on sponsors, on the further growth of occupational pensions and on the development and growth of the EU economy in general.	
Q35.	**Q35: Are there any aspects of the suggested approach which are unclear?** We should have solutions for all situations differing from a 1-1-1-1 (sponsor/pension institution/pension promise/country) scenario as well as for IORPs in the public or not for profit sector and in cross border situations. These situations need to be further investigated. For industry wide schemes applying a “Last Man Standing” principle the approach is not applicable. Partly due to data requirements and calculation efforts, partly due to an inappropriate concept that cannot take into account the legal structure and obligations of the sponsors within the scheme, the sponsor support calculations would lead to a costly and time-consuming process without information value.	

Q36.	**Q36: How could the average financial strength of an industry be determined?** An acceptable way to calculate the required credit ratios for multiemployer / industry wide schemes has to be found. It seems to be clear that there will never be exact calculations. So EIOPA should accept certain approximations and accept that a case-by-case approach might be useful for some elements, such as the discretionary decision making. For industry wide schemes the wage sum of the industry relative to the total wage sum of the country could be of interest. Additionally industry wide IORPs have historical information on sponsor default that even nowadays is applied to calculate depreciation on outstanding contributions. If these quotas are reliable (e.g. are available for at least five years) and approved by auditors, they may be applied on the sponsor support data. Market prices do not help in any way. IORPs should be allowed to develop their own models of estimating and (back-) testing internal models based on historical evidence without excessively high standards in mathematical precision. Nevertheless we fear that the approach will only lead to a cost and time consuming process without real information value	