

**Comments Template on
Discussion Paper on Sponsor Support Technical Specifications**

**Deadline
31 October 2013
18:00 CET**

Name of Company:	Aon Hewitt	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ 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 <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. <p>Please send the completed template, in Word Format, to DP-13-001@eiopa.europa.eu</p> <p>Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the questions refers to Discussion Paper on Sponsor Support.</p>		
Reference	Comment	
General Comment	<p>We are a global organisation, with a significant presence in Europe and a provider of retirement benefits to thousands of current and former employees globally. We have significant occupational pension plan assets, we have millions of Euros invested in these plans around the world and we are a global market leader in providing advice to trustees and employers in relation to their pension schemes.</p> <p>We welcome the simplification that the alternative approach represents from the previous proposals. The alternative approach is easier for stakeholders to understand, easier to apply, makes less heroic assumptions, and leaves room for judgement instead of</p>	

**Comments Template on
Discussion Paper on Sponsor Support Technical Specifications**

**Deadline
31 October 2013
18:00 CET**

trying to encapsulate a very mixed and complex issue in a single formula.
The alternative approach is more in line with how other lenders determine creditworthiness and so seems like a more sensible and pragmatic way forward, especially for IORPs with small and medium sized sponsors. The current stochastic method does not appear to be used in any other area of financial analysis and so raises the question as to why pension schemes would follow this method.

The new alternative approach also builds on and formalises current UK practice and will be more intuitive to finance directors, pension scheme trustees and trustee advisors.

The revised method is particularly helpful for the majority of the 6,000+ schemes in the UK whose sponsoring company (employer) do not have a credit rating. The assumption in the QIS that these would be assigned an arbitrary credit rating (e.g. "B" or "BB", or "BBB") is unreasonable and unrealistic. Moreover, the additional flexibility, and ability to use judgement for 'unusual' sponsoring entities such as charities and group structures is welcomed and not something that was included in the QIS.

More work needs to be carried out on the revised sponsor support methodology before any future QIS:

- There is still no indication on what this will be used for and the regulatory implications arising there-from. Without knowing the context of how any revision to sponsor support methodology will be used, what any future QIS will be used for, or indeed what the point of the first QIS was, it is difficult to say whether the revised method is fit for purpose – we do not know what that purpose is.
- There seems to be some circularity in terms of needing to know the length of repayment in order to work out how strong the sponsor is, so as to derive a repayment period. This needs to be addressed, e.g. the process could be iterative.

**Comments Template on
Discussion Paper on Sponsor Support Technical Specifications**

**Deadline
31 October 2013
18:00 CET**

A strong sponsor does not necessarily give rise to a short repayment period – this will be dependent on sponsor strategy going forward.

- We would like to see the impact under the alternative approach on the first QIS.
- Have derived credit ratings under the new method been compared against actual credit ratings for those sponsors with a formal rating so as to confirm acceptable and realistic alignment of such ratings?
- We appreciate that this is a discussion paper, but more guidance needs to be given around how to take into account the idiosyncrasies of different industry sectors and what further ratios could be adopted. More formalisation is required on how to treat group entities, specifically. This is important in a world dominated by multi-national entities.

The above is written in the context of comparing the previous sponsor support methodology to that now proposed, in isolation. However, we still feel that EIOPA should have different priorities than trying to pursue a revised QIS and new funding rules. We are still extremely concerned about the potential impact of any change to legislation on the future costs of these plans and the global competitiveness of the European region.

We do not see a need to fix the current method of prudential regulation. The majority of IORP pension assets in Europe are in UK and Netherlands, and we believe these are two good examples of countries which have developed, and are continuing to develop, good risk-based supervision. Other countries with lower levels of pension assets have equally sensible systems that have been established under the prudent framework required by the existing IORP Directive, and we understand that the Commission has publically stated that there is no question that systems working well will be penalised. We would not want to see a new system which requires the UK to pay even higher levels of pension contributions as this could reduce the global competitiveness of our sponsors.

**Comments Template on
Discussion Paper on Sponsor Support Technical Specifications**

**Deadline
31 October 2013
18:00 CET**

The uncertainty around the future of pension funding could lead to critical European business decisions (such as hiring and capital investments and other investment transactions) being put on hold. All other things being equal, companies may be more likely to want to invest in countries which do not have significant pension liabilities (e.g. Asia), or countries which have introduced funding stabilisation (e.g. USA). In the charitable and non-profit sectors (e.g. public service providers, academic and research institutions, churches), organisations with pension plans may have to consider whether to hold funds back that would otherwise be used for meeting core charitable and non-profit objectives. This could have a detrimental impact on philanthropic and other non-profit activity.

The European Commission has yet to present any proposals on how pension funding could change, and the current QIS parameters may make it difficult to make any informed proposals. We do not believe that the planned Quantitative Impact Study will provide the European Commission and EIOPA with sufficient information to make appropriate decisions on future funding. A proper study should examine the impact on deficit contributions (calculated using different various measures), and not just the methods of calculating items for the Holistic Balance Sheet.

We recommend that the European Commission urgently:

- **Reviews**, in detail, whether any future QIS will enable the European Commission to make informed decisions on future policy, especially in relation to valuation of sponsor support and the impact on future deficit contributions and, if not, extend the parameters and the timing of the QIS accordingly,
- **Confirms** which countries that, in the opinion of the European Commission, are good examples of member states with good risk-based supervision, and why

**Comments Template on
Discussion Paper on Sponsor Support Technical Specifications**

**Deadline
31 October 2013
18:00 CET**

	there is a need to change the method of supervision in these countries.	
Q01.	Due to the complex nature of the calculations involved in determining sponsor support using the full stochastic valuation method, we do not believe that many pension schemes in the UK would adopt this method. Even with more detailed guidance on this type of valuation we believe that due to the time, expense and knowledge required to carry them out the vast majority of schemes will shy away from going down this route. Perhaps as important, and indeed critical to this process, is the buy-in from sponsors who pay scheme expenses.	
Q02.	The 'simplifications' of the sponsor support methodology are still complicated and also, crucially, rely on sweeping assumptions, that are highly dependent on the individual circumstances of the sponsor in question, for example taking 50% of shareholder funds as the contribution to maximum sponsor support.	
Q03.	We believe that 'maximum sponsor support' could be used as part of an assessment of whether the sponsor has sufficient strength to support the scheme. We would rather see the amount being calculated in a simple way using current figures obtainable from the Company accounts, for example setting the amount equal to 100% of shareholder funds, rather than relying on very subjective future cashflows. It would then be used to check that any assessment of strength (both quantitative and qualitative) seems reasonable, e.g. if a sponsor is deemed to be strong, they should have a maximum support value far in excess of the deficit; if not the case then the assessment should be reviewed.	
Q04.	We believe that there is a need to have 6 levels of sponsor strength – strong at the top of the scale and weak at the bottom of the scale are more practical measures. As for other measures, including wage, we cannot see why this guidance should be so prescriptive.	
Q05.	We understand that EIOPA and the EC would like to reduce reliance on credit ratings. However,	

**Comments Template on
Discussion Paper on Sponsor Support Technical Specifications**

**Deadline
31 October 2013
18:00 CET**

	<p>credit agencies have by far the largest data set, are pervasive in financial transactions, and are used by all other financial institutions when assessing credit worthiness.</p> <p>We are therefore happy that this methodology is more appropriate than trying to derive a market consistent value from rigid complex stochastic mathematical formulae.</p> <p>We would like to see testing as to how the implied credit ratings from the credit ratios proposed compare to the actual external credit ratings held for sponsors that have external ratings. We assume that more work will be carried out to refine the ratios so that they are in line with external ratios, where feasible, whilst preserving the current flexibility and pragmatism in approach.</p>	
Q06.	<p>Yes. This simplifies things for IORPS, is intuitive, and also means that IORPs will be directly comparable.</p> <p>More work however needs to be done to ensure that the table is robust (i.e. that the implied weak to strong ratings give default probabilities that are sensible and in line with external ratings assessed using more complicated measures) and what the adjustments should be to the tables to allow for industry characteristics (e.g. the table would look very different for an internet start-up sponsor versus a utility company).</p>	
Q07.	<p>We believe the simplified approach is a sensible way to derive proxy credit ratings/implied default probabilities for sponsors. We would refer to the above response in Q06 however, that more investigation needs to be conducted into how robust the method is, whether it gives a good proxy for sponsors with actual credit ratings, what further ratios could be incorporated and what changes need to be incorporated to allow for industry characteristics or special cases such as charities. We believe it is however a good start and the right way to go to value sponsor support.</p>	
Q08.	<p>The assumption in the QIS technical specifications on sponsor support that payments would be made over the duration of the liabilities of the scheme seemed very arbitrary and appears to have</p>	

**Comments Template on
Discussion Paper on Sponsor Support Technical Specifications**

**Deadline
31 October 2013
18:00 CET**

	<p>no bearing to practical issues around how contributions would be agreed between Trustees and Companies within a supervisory framework. This was in part due to the fact that any supervisory implications would be determined following the QIS.</p> <p>However, it seems sensible to work from the assumption that contributions will be agreed between sponsors and Trustees to cover any deficit and that any deficit is likely to be recovered in line with the strength of the sponsor – stronger sponsors will be able to recover a deficit in a shorter period of time than weaker sponsors but subject to sponsor strategy going forward.</p> <p>We would still question the context of the QIS, any revised future QIS and also this paper on sponsor support. We would echo our response to the QIS consultation last year, where we said that it was very difficult to comment on the QIS without its purpose and the legislative implication of it. It is again difficult to comment on this paper without knowing that purpose. It seems that the decision to link timing of sponsor support to affordability is a sensible one, but also a supervisory decision. We would argue that these kinds of decisions or principles need to be made before any further work on any QIS, so that the context of any future QIS can be known.</p>	
Q09.	<p>Limited conditional sponsor support is not something that is seen in the UK in a strict sense, but rather only when considering support from the wider group entity. In the strict sense considered here, we think that only sponsor support that is unconditional would be included in the balance sheet together with the corresponding unconditional liabilities. It may then be appropriate to separately show the conditional liability and corresponding assets, especially if this is the reserve amount that is being targeted in order to pay both unconditional and conditional benefits.</p>	
Q10.	<p>Similar to conditional benefits we don't believe discretionary benefits should be included in the HBS, but rather the HBS should represent what is actually required to be paid in benefits from the IORP. If there is a change to benefits (as a result of discretion) in the future, this would be reflected in a change in the HBS at that time. Additional information, such as a separate HBS including discretionary element could then be provided in addition. It seems however very difficult to judge how to include discretionary benefits in the HBS as they are dependent on a</p>	

**Comments Template on
Discussion Paper on Sponsor Support Technical Specifications**

**Deadline
31 October 2013
18:00 CET**

range of factors that are hard to quantify. In the UK for example, discretionary benefits are now very rare, but should funding levels in the future improve then they may well become more common – assessing how to put a present value on these possible benefits however seems very difficult.

We welcome the simplification that the alternative approach represents from the previous proposals. The alternative approach is easier for stakeholders to understand, easier to apply, makes less heroic assumptions, and leaves room for judgement instead of trying to encapsulate a very mixed and complex issue in a single formula. The new suggested method is more in line with how other lenders determine creditworthiness and so sounds like a much more sensible and pragmatic way forward. Apart from very large IORPs in the Netherlands, the current stochastic method does not appear to be used in any other arena and so raised the question as to why pension schemes would follow the method.

It also builds on and formalises current UK practice and will be more intuitive to finance directors and trustees of pension schemes.

The revised method is particularly helpful for the majority of the 6,000+ schemes in the UK who's sponsoring company does not have a credit rating. The assumption in the QIS that those sponsoring companies that do not have a rating should all assume a default probability in line with a B or CCC rated company seemed to be a very conservative and potentially misleading assumption. Also the additional flexibility and ability to use judgement for 'unusual' sponsoring entities such as charities and group structures is welcomed and not something that was included in the QIS.

More work needs to be carried out on the revised sponsor support methodology before any future QIS:

Q11.

**Comments Template on
Discussion Paper on Sponsor Support Technical Specifications**

**Deadline
31 October 2013
18:00 CET**

- There is still no indication as to what this will be used for and the regulatory implications. Without knowing the context of how any revision to sponsor support methodology will be used, what any future QIS will be used for, or indeed what the point of the first QIS was, it is difficult to say whether the revised method is fit for purpose – we do not know what the purpose is.
- The input into the credit ratio calculation appears to be the current annual deficit contribution being paid by the Company, however, this contribution may be on an outdated deficit (possibly 3 years out of date), will be on a different measure to the Level A deficit amount and could be based on any deficit recovery period (a deficit of £50m could be recovered over 1 year via a £50m payment or 50 years by much smaller payments). To avoid misleading results, we think this process would be iterative, but then care needs to be taken that this does not lead the calculations to become burdensome.
- We would like to see the impact of the alternative approach on the first QIS.
- Have derived credit ratings under the new method been compared against actual credit ratings for those sponsors with a formal rating?
- We appreciate that this is a discussion paper, but more guidance needs to be given around how to treat different industry sectors, what further ratios could be adopted and more formalisation on how to treat group entities.

The above is written in the context of comparing the previous sponsor support methodology to the alternative approach, in isolation. However, we still feel that EIOPA should have different priorities than trying to pursue a revised QIS and new funding rules. We are still extremely concerned about the potential impact of any change to legislation on the future costs of these plans and the global competitiveness of the European region.

Q12.

As above we think that the alternative suggested approach is a much better way forward and

**Comments Template on
Discussion Paper on Sponsor Support Technical Specifications**

**Deadline
31 October 2013
18:00 CET**

largely has the potential to address concerns that we and many others raised as part of the QIS consultation.

The new approach is :

- Less complicated than the stochastic method, and can be understood by end users more readily, such as Trustees and FDs.
- Makes fewer assumptions. This is especially the case relative to the previous calculation of Maximum Sponsor Support, where assumptions such as taking 50% of shareholder wealth and 33% of future cashflows were very heroic.
- The methodology has less reliance on credit ratings. This was one of the biggest downfalls of the previous methodology, where only around 200 of the 6,400 UK IORPS have a sponsor with an external credit rating
- More flexible in terms of being able to be applied more easily to IORPs with group sponsoring entities. There was nothing in the previous methodology regarding how to treat group entities, and this is welcomed in the updated method (albeit more work needs to be done)
- More flexible in terms of use of judgement. There seemed little scope for judgement to be used with the previous method – indeed it seemed very difficult to use judgement due to the unwieldiness of the method

As said above more work needs to be done to firm up on areas such as how closely the implied default probabilities match up to those from credit rating agencies where available.

Most of the discussion paper needs further work to expand on the ideas and give more evidence as to how suitable the alternative approach is – e.g. how would the QIS results compare when using this revised method? However, we appreciate that this paper is initial and high level.

More work needs to be carried out on the revised sponsor support methodology before any future QIS:

- There is still no word on what this will be used for and regulatory implications.

Q13.

**Comments Template on
Discussion Paper on Sponsor Support Technical Specifications**

**Deadline
31 October 2013
18:00 CET**

- Without knowing the context of how any revision to sponsor support methodology will be used, what any future QIS will be used for, or indeed what the point of the first QIS was, it is difficult to say whether the revised method is fit for purpose – we do not know what the purpose is.
- The input into the credit ratio calculation appears to be the current annual deficit contribution being paid by the Company, however, this contribution may be on an outdated deficit (possibly 3 years out of date), will be on a different measure to the Level A deficit amount and could be based on any deficit recovery period (a deficit of £50m could be recovered over 1 year via a £50m payment or 50 years by much smaller payments). To avoid misleading results, we think this process would be iterative, but then care needs to be taken that this does not lead the calculations to become burdensome.
 - We would like to see the impact under the new method moon the first QIS.
 - Have derived credit ratings under the new method been compared against actual credit ratings for those sponsors with a formal rating?
 - We appreciate that this is an initial paper, but more guidance needs to be given around how to treat different industry sectors, what further ratios could be adopted and more formalisation on how to treat group entities.

We believe that 'maximum sponsor support' could be used as part of an assessment of whether the sponsor has sufficient strength to support the scheme. We would rather see the amount being calculated in a simple way using current figures obtainable from the Company accounts, for example setting the amount equal to 100% of shareholder funds, rather than relying on very subjective future cash flows. It would then be used to check that any assessment of strength (both quantitative and qualitative) seems reasonable, e.g. if a sponsor is deemed to be strong, they should have a maximum support value far in excess of the deficit; if not the case then the assessment should be reviewed.

Q14.

**Comments Template on
Discussion Paper on Sponsor Support Technical Specifications**

**Deadline
31 October 2013
18:00 CET**

Q15.	<p>It would be good to see how the implied default probabilities from the suggested method compare to the actual probabilities from credit rating agencies where these are available.</p> <p>It may be useful to seek the views of credit rating analysts to see whether they would support this method and what more can be added to refine the method without making it unwieldy.</p>	
Q16.	<p>We still do not know what the purpose of the QIS is – neither the first QIS that has been completed nor any potential subsequent QIS, i.e. we do not know the potential regulatory implications of the QIS and therefore it is impossible to say whether the guidance is proportionate and adequate for QIS purposes.</p> <p>At the moment we think that the methodology of any QIS should be kept as simple as possible, with the view that any further exercise would be very high level in order to provide the EC with high level figures.</p> <p>In terms of specifically being able to calculate credit strength, we think that more ratios may be required in order to refine the approach and come up with a suitable default probability for a range of companies.</p>	
Q17.	<p>No. We agree with the principle that IORPs should have the flexibility to carry out additional calculations and analysis if it is deemed that the standard method does not adequately reflect financial strength. However, at the moment only an example is provided, whereas further information would need to be set on what can or cannot be done or included, and what evidence needs to be presented to supervisors.</p>	
Q18.	<p>We believe that these two ratios are a good start, although just using these alone may in many cases misrepresent financial strength and so more need to be included. It would be useful to see the QIS impact from using these within the alternative approach, and also what the implied default probabilities are versus actual credit ratings.</p>	

**Comments Template on
Discussion Paper on Sponsor Support Technical Specifications**

**Deadline
31 October 2013
18:00 CET**

Q19.	<p>We believe the parameters are ok in principle and the right way forward. Clearly however, it would be useful to see how these (when translated) compare to actual company credit ratings where available.</p> <p>Also, these mappings would differ depending on e.g. industry sector. More work needs to be done therefore to test the appropriateness of the calibration to each industry sector.</p>	
Q20.	Blank	
Q21.	<p>The periods seem fine as a basis for any future QIS work. Clearly what is really needed is indication from legislators as to whether they are likely to go down the route of relating periods to financial strength.</p> <p>It would be important in any future QIS to see the results under assuming different periods, which is not something we got with the initial QIS. We are pleased to see that different sensitivities in relation to sponsor support are suggested in this paper.</p>	
Q22.	This seems to be a supervisory issue. In the UK all three items are considered, however, we would need to know what would be proposed by EU legislators.	
Q23.	This is not an issue in the UK for the vast majority of IORPs.	
Q24.	In the first QIS we were concerned that there was no background as to how the annual default probabilities had been derived. The revised probabilities seem more appropriate, being based on recent data from credit rating agencies, which have by far the most extensive data sets available.	
Q25.	No comment – this is a standard actuarial approach.	
Q26.	Allowance for default only becomes material for weak sponsors. The assumption in the QIS of 5% across the board did not seem appropriate given that the amount recovered can vary widely from	

**Comments Template on
Discussion Paper on Sponsor Support Technical Specifications**

**Deadline
31 October 2013
18:00 CET**

	<p>one default to the next. In addition, there was no mention of contingent assets, or charges over assets, whereby the scheme can sell predefined assets on insolvency.</p> <p>Due to the complexity and individual nature of recovery rates, we believe it would be more appropriate to allow for this on an individual basis should the amount seem material (particularly the case for weak sponsors). So some guidance and principles can be provided, and then investigation can be carried out if deemed material; such as the ranking of the IORP on insolvency, the value of any assets which the IORP has a charge over etc.</p>	
Q27.	<p>We believe that calculations to allow for sponsor support from other group entities are imperative if a meaningful assessment of sponsor support is to be made. This could be done as a separate calculation in order to see the impact and we see know problem with this. One of the big areas of concern for us in the QIS was that there was no mention of how to treat group entities. This made any calculation of sponsor support in the QIS potentially misleading.</p> <p>There are for example numerous cases in the UK where multinational companies tend to minimise profits in their UK entity for tax efficiency purposes. To exclude possible support from the overseas entities, but just take account the financial strength of the UK entity could be highly misleading.</p> <p>Whether and how much account is taken of non-legally enforceable sponsor support from a group entity would be a supervisory decision and again, we would reiterate that these kinds of decisions need to be thought about and made before any further QIS is undertaken.</p>	
Q28.	<p>There are some good comments regarding the treatment of sponsor support from group entities and we welcome the fact that this debate has begun. However, much more guidance would need to be given regarding how much of a contribution to sponsor support a group entity is deemed to contribute, based on past experience, financial strength, legal opinion as to whether the support is legally enforceable. Before this was undertaken however, it would be important to know the broad potential regulatory outcomes of any future QIS exercise so that the balance of accuracy</p>	

**Comments Template on
Discussion Paper on Sponsor Support Technical Specifications**

**Deadline
31 October 2013
18:00 CET**

	and pragmatism can be reached in determining the results of any future QIS.	
Q29.	We believe that the IORP should undertake a valuation of sponsor support assuming that no wider group support is to be received and a valuation of sponsor support that assumes previous experience in relation to actual sponsor support. Whether this translated into a legal obligation for wider sponsor support within an agreed schedule of contributions is then a supervisory and legal question which would need further exploration and clarification.	
Q30.	Yes.	
Q31.	We welcome the consideration of sensitivities in respect of the calculation of sponsor support. This was missing in the initial QIS and so meant that a highly subjective value was placed on sponsor support with no real demonstration of the range of possible values. To limit work in any future QIS we would not suggest incorporating any further sensitivities.	
Q32.	Not really – the list should cover everything	
Q33.	<ul style="list-style-type: none"> • Would need to know what the regulator or supervisory body was intending to use the methodology for, and then whether the time period for the contributions were appropriate – and whether relating these to affordability is appropriate. • How flexible is the supervisory body willing to be regarding the calculation of sponsor support? There is a lot of scope for flexibility to be introduced and this paper leaves it fairly open as to what could not be done. Guidance from the supervisor is need on this. • How would the supervisor monitor schemes when conducting these calculations? Is it happy to leave schemes to do their own individual method (based on something akin to the method in this paper but modified for the specifics of the IORP’s particular circumstances) or does it want every IORP to follow the same strict method? We would certainly argue for the former, but guidance from the regulatory supervisor is needed. Are these sponsor support 	

**Comments Template on
Discussion Paper on Sponsor Support Technical Specifications**

**Deadline
31 October 2013
18:00 CET**

	<p>calculations intended to be an annual occurrence?</p> <ul style="list-style-type: none"> • Suggested additional guidance and technical work on this method, as stated above, would be as follows : <ul style="list-style-type: none"> – There is still no word on what this will be used for and regulatory implications. Without knowing the context of how any revision to sponsor support methodology will be used, what any future QIS will be used for, or indeed what the point of the first QIS was, it is difficult to say whether the revised method is fit for purpose – we do not know what the purpose is. – The input into the credit ratio calculation appears to be the current annual deficit contribution being paid by the Company, however, this contribution may be on an outdated deficit (possibly 3 years out of date), will be on a different measure to the Level A deficit amount and could be based on any deficit recovery period (a deficit of £50m could be recovered over 1 year via a £50m payment or 50 years by much smaller payments). To avoid misleading results, we think this process would be iterative, but then care needs to be taken that this does not lead the calculations to become burdensome. – We would like to see the impact under the new method moon the first QIS. – Have derived credit ratings under the new method been compared against actual credit ratings for those sponsors with a formal rating? – We appreciate that this is an initial paper, but more guidance needs to be given around how to treat different industry sectors, what further ratios could be adopted and more formalisation on how to treat group entities. 	
Q34.	<ul style="list-style-type: none"> • Further analysis of how other credit ratios could improve the accuracy of implied default probabilities • Further guidance on how to treat group entities, unusual cases such as charities. • Analysis of how to allow for industry differences when deriving default probabilities 	

**Comments Template on
Discussion Paper on Sponsor Support Technical Specifications**

**Deadline
31 October 2013
18:00 CET**

Q35.	The input into the credit ratio calculation appears to be the current annual deficit contribution being paid by the Company, however, this contribution may be on an outdated deficit (possibly 3 years out of date), will be on a different measure to the Level A deficit amount and could be based on any deficit recovery period (a deficit of £50m could be recovered over 1 year via a £50m payment or 50 years by much smaller payments). To avoid misleading results, we think this process would be iterative, but then care needs to be taken that this does not lead the calculations to become burdensome.	
Q36.	There are many credit agencies and analytical risk ratings providers that provide industry averages, viz. Company Watch et al. These could be reviewed and their appropriateness evaluated.	