

Comments Template on CP-12-003 – Draft Technical Specifications QIS IORP II		Deadline 31 July 2012 18:00 CET
Name of Company:	Barnett Waddingham LLP	
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 paragraph or a cell, 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 CP-12-003@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the paragraphs refers to Consultation Paper 12-003.</p>		
Reference	Comment	
General Comment	<p>Barnett Waddingham LLP welcomes the opportunity to respond to EIOPA regarding its consultation paper on draft technical specifications for the Quantitative Impact Study (QIS) of EIOPA’s advice to the European Commission on the Review of the IORP Directive.</p> <p>We are the largest actuarial independent partnership in the UK, and are wholly owned and managed by our 54 partners. Our core business is the provision of actuarial and investment consultancy services to pension scheme employers and trustees, as well as administration and pension scheme management services.</p> <p>Overall we are extremely concerned that the consultation focuses on the technical details of policy options which have yet to be decided. We are not convinced that</p>	

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	<p>EIOPA and the European Commission have sufficiently demonstrated the need, and rationale, for the holistic balance sheet and capital requirement approach. While we have provided responses to the questions asked, we do not agree with the principles underpinning the QIS and urge EIOPA to go back to first principles and design an IORPs directive specifically for pension schemes. Calculation details should not be the focus at such an early stage, before due attention has been given to alternatives and the impact on IORPs in terms of increased capital requirements.</p> <p>We do not believe that results provided by supervisory authorities based on aggregate data will be sufficient to assess the impact of policy options, while the cost to an IORP of participating in the study voluntarily will be out of reach of all but the very largest pension schemes. The majority of defined benefit pension schemes in the UK are below around £20m in size and these schemes are unable to have the resources necessary to undertake the QIS, let alone provide this information on a regular basis. The benefit to small IORPs of the proposals is likely to be significantly outweighed by the costs of compliance and we urge EIOPA to consider raising the threshold for compliance from the current IORP directive's 100 members.</p> <p>Finally, we are disappointed that a full consultation period is not available given the length and technical nature of the consultation. We understand that the implementation of Solvency II for insurers has so far taken 5 QISs and a number of public consultations and would urge EIOPA and the European Commission not to rush to implement a new IORP Directive without giving the proposals the same level of scrutiny.</p>	
Q1.	<p>We consider that the QIS exercise will not address fundamental questions of policy, such as the impact on capital requirements for IORPs. We are concerned that attention is being given to in-depth technical specifications without consideration of the big picture – the practical impact on IORPs. The QIS exercise as drafted simply asks the wrong questions. The impact of higher-level options should be considered first, then employing an iterative process to examine the details. A single QIS as drafted will be insufficient and produce meaningless results.</p> <p>As noted in our general comment, we still hold the opinion that EIOPA and the European</p>	

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	Commission need to present a stronger case for change.	
Q2.	<p>We do not believe that aggregate data held by supervisors will include sufficient detail to calculate these items, and therefore the results of the QIS will be misleading.</p> <p>We have particular concerns with the security mechanisms. There can be no one-size-fits-all model for sponsor support as individual circumstances – such as group structure, legal form, industry – will all have an impact. While the calculation is possible, it is not going to result in a meaningful number.</p>	
Q3.	<p>The document as drafted is immensely long and technical, and not likely to be understandable to the vast majority of IORPs. While advisers can interpret the document, this is going to give rise to costs for IORPs.</p> <p>In terms of the document’s structure, the section on proportionality would be better placed towards the beginning of the document, and would benefit from clarification – in particular are IORPs required to undertake the full and simplified calculations before deciding which to use, or whether to exclude that item on the grounds of materiality. The document could also better highlight key points.</p> <p>The document is rife with insurance jargon, due to large parts of it having been transposed from Solvency II without sufficient consideration. EIOPA should translate this to equivalent pension scheme concepts, and, where there is no equivalent concept, consider removing that portion.</p>	
Q4.	<p>We are concerned that supervisory authorities hold insufficient detail to participate in the study fully. Aggregate data will not, for instance, contain information about conditional benefits to inform policy options. Undertaking a QIS on this basis will not accurately represent the impact and the results will be misleading.</p> <p>IORPs will need to seek professional advice in dealing with some more complex benefits and calculations. Also, IORPs will not currently hold all the necessary data. We believe this will create a barrier for all but the very largest IORPs who might otherwise wish to participate in the QIS.</p>	

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	<p>Applying these calculations will consume heavy resources and without visible benefit to individual IORPs.</p> <p>We consider that the timescale for the QIS should be extended to maximise participation, and to encourage use of the full specifications as compared to the simplifications. EIOPA will need to publish the final specifications and associated spreadsheets well in advance of the start of the exercise. We are also concerned that EIOPA has not allowed itself sufficient time for consultation, and to analyse the results of the QIS.</p>	
Q5.	<p>While we note that EIOPA will provide spreadsheets to assist with some of the calculations, EIOPA or supervisory authorities will likely need to provide additional or country-specific guidance to IORPs (EIOPA has noted that roll-forward methodologies will be one area where such advice is required).</p> <p>Also, while it is possible to undertake the calculations as drafted, we believe that the results will be meaningless for the reasons set out in our responses to other questions.</p> <p>EIOPA needs to clarify the purpose of the holistic balance sheet and who it is intended for use by. This will impact on the appropriateness, or otherwise, of some of the concepts and parameters. For example, the allowance for salary increases should only be made if the IORP is to be assumed to continue as a going concern.</p>	
Q6.	<p>We would like confirmation of how the 8% risk margin has been derived and what it is intended to represent. We do not believe this figure has any realistic basis.</p>	
Q7.	<p>EIOPA should bear in mind that the latest available tables and improvement rates may not necessarily be appropriate and proportionate given the nature of the IORP. Expert judgement will be required here, particularly in estimating the future trend in mortality rates : in the UK there is no single published set of future improvements. This could lead to variations between IORPs.</p> <p>EIOPA should note that the frequency of publication and sophistication of mortality tables may be different between countries, and that this may lead to inconsistencies in the reported information.</p>	

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Q8.	We have made comments on specific sections below where clarification is requested.	
Q9.	<p>We believe clarification is required on when a reduction in benefits can be taken into account. It is not clear from the consultation document whether this adjustment will apply to circumstances common in the UK. We note that if this adjustment cannot be made, then sponsor support may never be sufficient to balance the holistic balance sheet due to the adjustment for default.</p> <p>The possibility to reduce benefits in the event of sponsor default should apply in the case of sponsor support in general.</p>	
Q10.	<p>Further consideration needs to be given to individual IORPs' circumstances, for example:</p> <ul style="list-style-type: none"> • Multi-employer pension schemes • The definition of sponsor • Sponsors which are non-profit making <p>We note the need to consult further on specific parameters such as the recovery rate and would point to this as an example of why the timetable for implementation of a revised IORP directive is too short.</p>	
Q11.	We believe these parameters will very much depend on an individual IORP's circumstances and that they will vary by member state, by industry or by legal status of sponsor. We consider that the valuation of sponsor support, despite its importance in the holistic balance sheet, is given in insufficient detail when compared with the valuation of technical provisions. The parameters given are arbitrary and will present a misleading picture.	
Q12.	We do not agree with the methodology presented. Such an approach will not take into account variations by (for example) member state, industry, type of sponsor or economic conditions. As such we cannot suggest any appropriate parameters.	
Q13.	We do not believe the matching premium, as drafted, will be of any benefit to IORPs due to the stringent conditions which apply, for example ringfencing. We believe Annex 2 should be rewritten to allow IORPs to make allowance for the matching premium where the IORP's Statement of Investment Principles or equivalent can demonstrate that part of the asset portfolio is intended to match part of the liability cashflows to a reasonable degree.	

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Q14.	<p>We are unsure what purpose the Level B technical provisions will serve, and as such it is difficult to comment on an appropriate treatment. We do however believe that the assumed growth rate on equity-like investments should be revised upwards, and that special account needs to be taken of alternative forms of investment such as target return funds or with-profit funds.</p>	
Q15.	<p>We do not believe that specifying a fixed inflation rate and salary growth assumption is consistent with the idea of a market-consistent valuation. We are also unclear in what circumstances salary growth should be taken into account. In most cases in the UK, accrued benefits would not be considered to include future salary inflation. Should this perhaps be included for the Level B technical provisions only, or not at all?</p> <p>Clarification is needed as to what the fixed inflation assumption represents (i.e. whether different assumptions should be made for non-HICP inflation indices), and sponsors of IORPs will be in the best position to judge a future salary growth assumption.</p>	
Q16.	<p>Much of this language, and the techniques in this section, appear to be cut-and-paste from Solvency II. As such, and being full of insurance jargon, it will be new to IORPs and EIOPA should revisit this section to couch it in terms more appropriate to pension schemes.</p> <p>We believe that while the calculations can be performed, the results of such submissions will be meaningless – particularly where based on aggregate data.</p>	
Q17.	<p>We are concerned that the operational risk module may apply to pure defined contribution schemes, and yet such schemes are excluded from the QIS. We are not sure whether the operational risk module is intended to cover regulatory risk. This has been a source of considerably increased costs in the UK in the recent past, and it seems the revised IORP directive itself will add to this.</p> <p>The expenses, revision and catastrophe modules are likely to be immaterial for most IORPs and should be removed. Consideration should be given to combining the health module with disability and morbidity, and the longevity component with the mortality component as these factors are linked in IORP benefit structures to the extent that considering them separately is likely to give misleading results.</p>	

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	Inflation risk should be included. This is a large part of pension liability risk in the UK.	
Q18.	The calculations are unclear and may give rise to double-counting. We believe further attention should be given to the interaction of the various factors, for example with regard to IORPs' investment strategies and the need to impose a floor on individual mechanisms.	
Q19.	Further attention needs to be given to what the operational risk module is aiming to cover, for example regulatory risk.	
Q20.	We would hope that the proportionality section gives IORPs the flexibility to adopt alternative simplifications if appropriate, for example to exclude certain modules or risks. However, it would be helpful for EIOPA to clarify this. We would also like EIOPA to clarify the process needed to adopt an alternative simplification as the level of detail suggested in the proportionality section seems unduly burdensome.	
Q21.	In the UK, most IORPs need to pay a levy to a pension protection scheme which is based, in part, on the estimated probability of default of the sponsor. This would be more appropriate than a blanket 4.175% probability of default for all unrated sponsors.	
Q22.	This module appears to cover simply the option to leave an IORP or opt back in. In the UK, more valuable or frequently-used options are to retire at a different date, or exchange pension for a lump sum or different form of pension.	
Q23.	EIOPA should note that it may be difficult for IORPs to meet some of the conditions in these sections and Annex 4 in relation to historic policies, for example pre-1997 contracts of insurance in the UK, and should permit flexibility.	
I.1.1.	We believe a certain level of national guidance will be required in order for IORPs to fulfil their duties under such a regime.	
I.1.2.		
I.1.3.		
I.1.4.		
I.1.5.		
I.2.1.		

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I.2.2.		
I.2.3.		
I.2.4.		
I.2.5.		
I.2.6.		
I.3.1.		
I.3.2.	We believe that consideration of the wider implications, including funding obligations, is essential to the continued provision of quality pensions in Europe and urge EIOPA and the European Commission to consider this further.	
I.4.1.		
I.4.2.		
I.4.3.		
I.4.4.		
I.4.5.	We would like EIOPA to publish their analysis of why these technical specifications are considered appropriate given the differences between insurance companies and pension schemes.	
I.4.6.		
I.4.7.		
I.4.8.		
I.4.9.		
I.4.10.		
I.4.11.	<p>If an inflation risk module is to be considered, appropriate allowance should be made for IORPs' investments in index-linked assets which aim to match the benefit cashflows.</p> <p>We note that these specifications should not be read as proposals for future measures and question the value of a QIS if this is the case.</p>	

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I.4.12.		
I.4.13.		
I.4.14.		
I.4.15.		
I.4.16.	We expect that stochastic valuations will be very much the exception.	
I.4.17.	We note that the accuracy required for the QIS is lower than would be expected for supervisory reporting and consider that this means that the true impact, particularly the costs to IORPs of compliance, will be understated in the QIS.	
I.4.18.		
I.4.19.	We note that EIOPA’s method for estimating lower confidence levels will necessarily be approximate, and consider that this means that the results will be arbitrary and meaningless.	
I.4.20.		
I.4.21.		
I.4.22.		
I.5.1.		
I.5.2.	We note that the default options should not be read as proposals for future measures and question the value of a QIS if this is the case.	
I.5.3.		
I.5.4.		
I.5.5.		
I.5.6.		
I.5.7.	Consideration should be given to innovative investment strategies with, for example, targets that reference bank base rates or inflation. The asset allocation of such funds can vary widely and at short notice, without any strategic benchmark.	
I.5.8.		
I.6.1.	EIOPA must publish the questionnaire and spreadsheet well in advance of the QIS commencing to	

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	enable IORPs to become familiar with their content. The questionnaire could include an estimate of IORPs' costs of completing the QIS.	
I.6.2.		
I.6.3.		
I.7.1.		
I.7.2.		
I.7.3.		
I.7.4.	In the UK, the Pensions Regulator intends to perform the QIS based on aggregate data. We believe this will not be sufficient to give a full picture of the impact on IORPs, but although the Pensions Regulator and the UK Government are urging IORPs to perform the QIS, we believe the time and cost involved will be prohibitive for the vast majority of IORPs.	
I.7.5.		
I.8.1.	We urge EIOPA to analyse and publish the impact on individual IORPS as well as the aggregate picture.	
I.8.2.	We believe the impact on future contribution requirements should also be considered in detail.	
I.8.3.	We believe that any supervisory options, such as a minimum capital requirement, are best left to supervisory authorities in each country rather than being enshrined in immutable legislation.	
I.8.4.		
I.8.5.		
I.8.6.	EIOPA's approach here sounds sensible and we would stress that this process should not be rushed, and should include sufficient opportunity for public consultation.	
I.9.1.		
I.9.2.		
I.9.3.	We hope that, given the breadth of the QIS and that EIOPA recognises that IORPs may not be familiar with the concepts, any new supervisory regime is not rushed in before all parties reach an	

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	understanding. The European Commission’s timetable for IORPs seems overly ambitious given the decade it has taken to develop Solvency II, and EIOPA should advise the European Commission that its targets are unachievable if the policy options are to be properly tested.	
I.10.1.	As mentioned in I.9.3., the external timetable is unjustifiably short.	
I.10.2.		
I.10.3.		
I.10.4		
I.11.1		
HBS.1.1.		
HBS.2.1.		
HBS.2.2.		
HBS.2.3.		
HBS.2.4.		
HBS.2.5.		
HBS.2.6.		
HBS.2.7.	EIOPA should clarify whether ancillary pension scheme benefits such as enhanced pensions on ill-health retirement, and contribution waivers in the event of long-term sickness, should be included under the defined benefit or health benefit segments. We believe it would be an appropriate simplification to permit these benefits to be considered as part of the defined benefit segment where they are material.	
HBS.2.8.	We assume that this definition means that defined benefit schemes offering a defined contribution underpin should be considered under the defined benefit segment.	
HBS.3.1.	The use of the extrapolation method set out in section 2.8 to derive the risk-free yield curve means that the best estimate will not necessarily be market-consistent, particularly in countries other than the UK where the last liquid point is shorter. The use of a fixed inflation assumption is also not consistent with a market consistent basis.	
HBS.3.2.		

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HBS.3.3.	EIOPA should reconsider what it means by « best estimate » in connection with IORPS. We consider that level A technical provisions represent an unduly prudent estimate of future cashflows. Level B would be closer to a « best estimate ».	
HBS.3.4.		
HBS.3.5.		
HBS.3.6.		
HBS.3.7.		
HBS.3.8.		
HBS.3.9.	It would be useful for IORPs to know what level of detail is required for such a demonstration. We assume that professional advice will suffice.	
HBS.3.10.		
HBS.3.11.		
HBS.3.12.		
HBS.3.13.		
HBS.3.14.		
HBS.3.15.		
HBS.3.16.		
HBS.3.17.		
HBS.3.18.	Again, it would be useful for IORPs to know what level of detail is required for such demonstrations. For example, it is common practice in the UK to use industry-wide mortality tables developed by the Actuarial Profession, making adjustments for the IORP's known, or perceived, characteristics. For small pension schemes, an investigation into the scheme's mortality experience may not be statistically significant. It should be sufficient for an IORP to rely on a mortality assumption recommended by an adviser without needing to understand the way such a table was constructed or undertake an investigation which would add little value.	
HBS.3.19.		
HBS.3.20.		

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HBS.3.21.	<p>It would be useful to clarify the position where there is little or no past experience of a particular option, i.e. can the likelihood of exercising the option be assumed to be nil – this would fit with HBS.3.19.</p> <p>The definition of « contractual options » needs to be clarified to establish whether this relates to the IORP’s governing documentation or the beneficiary’s employment contract with the sponsor, or both.</p>	
HBS.3.22.		
HBS.3.23.		
HBS.3.24.		
HBS.3.25.		
HBS.3.26.		
HBS.3.27.		
HBS.3.28.	Again, it would be useful for IORPs to know what level of detail is required for such verification.	
HBS.3.29.		
HBS.4.1.	If cash-flow projections are to reflect expected realistic future economic developments, we consider that market-consistent inflation assumptions should be made.	
HBS.4.2.	<p>We believe that the last sentence should end with « ...which are appropriate and proportionate given the nature of the IORP. »</p> <p>EIOPA should note that the frequency of publication and sophistication of mortality tables may be different between countries, and that this may lead to inconsistencies in the reported information.</p>	
HBS.4.3.		
HBS.4.4.		
HBS.4.5.		
HBS.4.6.		
HBS.4.7.		

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HBS.4.8.		
HBS.4.9.		
HBS.4.10.		
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HBS.4.12.		
HBS.4.13.		
HBS.4.14.		
HBS.4.15.		
HBS.4.16.	It is common in the UK for expenses to be accounted for as part of the future contributions due each year, rather than a reserve being held in the technical provisions, or alternatively for the sponsoring employer to meet expense costs entirely outside of the IORP. Where the sponsoring employer meets the costs directly, the IORP may not have sufficient information to estimate the future expenses and may choose not to include them in the HBS, leading to inconsistency between schemes. We note that the International Accounting Standards Board has recently dropped a proposal to include the capitalised value of expenses in pension scheme liabilities and we would encourage EIOPA to reconsider whether this allowance is necessary. Alternatively, EIOPA could include an option to present the HBS net of expenses.	
HBS.4.17.		
HBS.4.18.		
HBS.4.19.		
HBS.4.20.		
HBS.4.21.	Please clarify whether investment management expenses should be included here.	
HBS.4.22.		
HBS.4.23.		
HBS.4.24.		
HBS.4.25.		
HBS.4.26.		

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HBS.4.27.		
HBS.4.28.		
HBS.4.29.	We support this view. The expectation of future benefits that a beneficiary may have, based on past practice, does not invalidate an IORP's discretion to change that policy. It may inform the IORP's decision but there will be many other circumstances which IORPs will need to take into account, not least the funding position of the IORP. We consider that the classification of mixed benefits as either discretionary or conditional should take into account each IORP's likely management actions.	
HBS.4.30.		
HBS.4.31.	We believe EIOPA will not have sufficient information to take a position on this item as aggregate data held by supervisors will not include sufficient detail.	
HBS.4.32.		
HBS.4.33.	We believe that aggregate data held by supervisors will not include sufficient detail to calculate these items.	
HBS.4.34.	We believe that aggregate data held by supervisors will not include sufficient detail to calculate these items.	
HBS.4.35.		
HBS.4.36.		
HBS.4.37.		
HBS.4.38.		
HBS.4.39.		
HBS.4.40.		
HBS.4.41.		
HBS.4.42.	It would be useful for IORPs to know the level of detail required here. Further research at a national level may be required.	
HBS.4.43.		
HBS.4.44.		

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HBS.4.45.		
HBS.4.46.		
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HBS.4.60.		
HBS.4.61.		
HBS.5.1.	Some of the scenarios considered in previous sections require IORPs to weight probabilities towards adverse scenarios to reflect market pricing for risk. In these cases we do not consider it appropriate for an additional risk margin to be added. EIOPA should clarify what this risk margin represents.	
HBS.5.2.	We would like to see EIOPA's analysis behind the selection of a simplified risk margin of 8% of best estimate technical provisions.	
HBS.5.3.		
HBS.5.4.		
HBS.5.5.		

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HBS.6.1.		
HBS.6.2.		
HBS.6.3.		
HBS.6.4.	An additional form of contingent asset is the existence of a parent company or group of companies which, legally or voluntarily, have an obligation to support the scheme, for example in the event of sponsor default.	
HBS.6.5.		
HBS.6.6.		
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HBS.6.10.		
HBS.6.11.		
HBS.6.12.		
HBS.6.13.		
HBS.6.14.		
HBS.6.15.		
HBS.6.16.	<p>We do not believe the credit rating for unrated employers adequately captures factors such as member state, industry or legal form of employer.</p> <p>In the UK, most IORPs need to pay a levy to a pension protection scheme which is based, in part, on the estimated probability of default of the sponsor. We suggest this would be more appropriate than the blanket rate which EIOPA has specified.</p>	
HBS.6.17.		
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HBS.6.79.		
HBS.6.80.		
HBS.6.81.		
HBS.6.82.		
HBS.6.83.		
HBS.6.84.		
HBS.6.85.		
HBS.6.86.		
HBS.6.87.		
HBS.6.88.		
HBS.6.89.		
HBS.6.90.		
HBS.7.1.	Does this section also apply in the case of recoverables from an SPV that is not in relation to (re)insurance? An example would be an employer setting up an SPV to pass the cashflows from a property or trademark to its pension scheme. We would prefer the principles set down in section 2.9 to apply to these situations. Alternatively they might be considered under sponsor support.	
HBS.7.2.		
HBS.7.3.		
HBS.7.4.		
HBS.7.5.		

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HBS.7.6.		
HBS.7.7.		
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HBS.7.31.		

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HBS.7.32.		
HBS.7.33.		
HBS.7.34.		
HBS.7.35.	We believe this is exactly the sort of area where professional judgement will be required and we would not like to see such advice fettered.	
HBS.7.36.		
HBS.7.37.		
HBS.7.38.		
HBS.7.39.		
HBS.7.40.		
HBS.7.41.		
HBS.7.42.		
HBS.8.1.		
HBS.8.2.		
HBS.8.3.		
HBS.8.4.		
HBS.8.5.		
HBS.8.6.	We are concerned that the same ultimate forward rate is to be used for liabilities denominated in three separate currencies where other parameters, such as the last liquid point, vary. We believe the use of the ultimate forward rate could give rise to rates which are not consistent with market pricing, particularly given the long duration of pension liabilities, and produce counter-intuitive results that are difficult for an end user to understand.	
HBS.8.7.	Pension schemes in the UK tend to invest their bond portfolio in a mixture of fixed interest and index-linked bonds, depending on factors including the nature of their liabilities. The market for index-linked bonds is less deep and liquid than that for fixed interest bonds and we consider that the last liquid point for liabilities expressed in sterling should be shorter.	
HBS.8.8.		

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HBS.8.9.	We consider that the deduction made to interest rates to allow for credit risk should vary by country to better reflect the risk likely to apply given the IORP's local investment opportunities.	
HBS.8.10.		
HBS.8.11.		
HBS.8.12.	As for HBS.8.9. above, the counter cyclical premium adjustment could vary by country to reflect local conditions.	
HBS.8.13.	Many IORPs in the UK operate liability-driven investment strategies which aim to match certain portions of their liabilities to some extent. We believe that the conditions set out in Annex 2 should be relaxed (for example, by removing the requirement to ringfence such assets) to recognise such responsible strategies without imposing stringent conditions on the management of the IORP.	
HBS.8.14.		
HBS.8.15.		
HBS.8.16.		
HBS.8.17.	Consideration should be given to innovative investment strategies with, for example, targets that reference bank base rates or inflation. The asset allocation of such funds can vary widely and at short notice, and may not necessarily have a benchmark asset allocation which is free of tactical deviations.	
HBS.8.18.		
HBS.8.19.	Our historic analysis indicates that, in the UK, an average risk premium of 4% over AAA government bonds would be more appropriate for a best estimate of expected returns. Consideration should be given to allowing this parameter to vary by country.	
HBS.8.20.		
HBS.8.21.		
HBS.8.22.		
HBS.8.23.	EIOPA should clarify whether this fixed inflation assumption is intended to represent all inflation measures, or simply those published under the harmonised rules (HICPs). We would recommend that EIOPA considers making this assumption country-specific, perhaps to reflect the member	

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	state’s target for inflation, and allowing room for professional judgement.	
HBS.8.24.	The level of salary increases varies widely over time, country and employment industry. In the UK we would normally seek information from different sources to arrive at an assumption for salary increases which is appropriate for the IORP concerned.	
HBS.9.1.		
HBS.9.2.		
HBS.9.3.		
HBS.9.4.		
HBS.9.5.		
HBS.9.6.		
HBS.9.7.	Further consideration should be given to the valuation of intangible assets. The nature of these can vary widely and it can be difficult to find a comparable market price, although the asset could be sold if necessary. EIOPA should be willing to accept an expert’s assessment as to the value of such assets.	
HBS.9.8.		
HBS.9.9.		
SCR.1.1.		
SCR.1.2.		
SCR.1.3.		
SCR.1.4.	We believe the Level A technical provisions are overly prudent and should not be used to calculate contribution requirements. Presenting the results in this manner will exaggerate the cost to employers of providing defined benefit pensions and hasten their demise, resulting in decreased security for members. It may also cause panic among members, resulting in withdrawals from IORPs and decreased private pension provision. We accept that a certain level of prudence is necessary to ensure that IORPs are funded appropriately, and managers of IORPs have developed their skills in this area significantly over the last decade, however the Level A provisions are a step too far.	
SCR.1.5.		

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SCR.1.6.		
SCR.1.7.		
SCR.1.8.		
SCR.1.9.	<p>We would like EIOPA to add the words « where proportionate » at the end of the first two bullet points.</p> <p>For the third bullet point, we believe that a negative capital requirement should be included where the increase in NAV could be offset against a loss elsewhere. IORPs do not typically ringfence each risk.</p>	
SCR.1.10.		
SCR.1.11.		
SCR.1.12.		
SCR.1.13.		
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SCR.1.23.		
SCR.1.24.		
SCR.1.25.	<p>We would like EIOPA to consider whether the correlation factor between market risk and pension liability risk should vary according to the IORP's investment strategy. Other correlation factors may be appropriate depending on the particular circumstances of each IORP.</p>	

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SCR.2.1.		
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SCR.2.27.		
SCR.2.28.		
SCR.2.29.		
SCR.2.30.		
SCR.2.31.		
SCR.2.32.	We believe that aggregate data held by supervisors will not include sufficient detail to calculate these items.	
SCR.2.33.	We believe that aggregate data held by supervisors will not include sufficient detail to calculate these items.	
SCR.2.34.	We believe that aggregate data held by supervisors will not include sufficient detail to calculate these items.	
SCR.2.35.	We believe that aggregate data held by supervisors will not include sufficient detail to accurately calculate these items.	
SCR.3.1.		
SCR.3.2.		
SCR.3.3.		
SCR.3.4.		
SCR.3.5.		
SCR.3.6.	The parameters for the capital requirement for operational risk should be consulted on.	
SCR.4.1.		
SCR.4.2.		
SCR.4.3.		
SCR.4.4.	The risk relating to intangible assets can vary according to the nature of the asset and a single parameter may oversimplify matters.	
SCR.5.1.	The interaction of market risk with pension liability risk should be considered given that many IORPs in the UK pursue liability-driven investment strategies.	
SCR.5.2.		

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SCR.5.3.		
SCR.5.4.		
SCR.5.5.		
SCR.5.6.		
SCR.5.7.		
SCR.5.8.		
SCR.5.9.	<p>Consideration should be given to innovative investment strategies with, for example, targets that reference bank base rates or inflation. The asset allocation of such funds can vary widely and at short notice, but without necessarily increased volatility of returns.</p> <p>We believe this section may also penalise schemes that are invested in investment schemes such as with-profits funds, where the allocation is not necessarily transparent but a certain level of guarantee applies to the investment.</p>	
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SCR.5.24.		
SCR.5.25.		
SCR.5.26.		
SCR.5.27.	We expect that supervisors will need to make approximations when using aggregate data for the submission and EIOPA should recognise that such results will not be accurate, invalidating the exercise.	
SCR.5.28.		
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SCR.5.73.		

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SCR.5.89.		
SCR.5.90.		
SCR.5.91.		
SCR.5.92.		
SCR.5.93.	EIOPA should consider whether it is necessary to apply any member-state-specific adjustment here.	
SCR.5.94.		
SCR.5.95.		
SCR.5.96.		
SCR.5.97.		
SCR.5.98.		

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SCR.5.110.		
SCR.5.111.		
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SCR.5.120.		
SCR.5.121.		
SCR.5.122.		
SCR.5.123.		
SCR.5.124.		

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SCR.5.125.		
SCR.5.126.	EIOPA should indicate the meaning of « sufficiently nearby » - same street, same city, same administrative region ?	
SCR.5.127.		
SCR.5.128.		
SCR.5.129.		
SCR.5.130.		
SCR.5.131.		
SCR.6.1.		
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SCR.7.1.		
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SCR.7.4.		
SCR.7.5.		
SCR.7.6.		
SCR.7.7.	Other correlation factors may be appropriate depending on the particular circumstances of each IORP.	
SCR.7.8.		
SCR.7.9.		
SCR.7.10.		
SCR.7.11.		

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SCR.7.12.		
SCR.7.13.	We would like EIOPA to confirm why such a floor is considered appropriate, given the loss-absorbing nature of the interaction between the different pension liability risks.	
SCR.7.14.		
SCR.7.15.		
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SCR.7.24.		
SCR.7.25.	We would like EIOPA to confirm why such a floor is considered appropriate, given the loss-absorbing nature of the interaction between the different pension liability risks.	
SCR.7.26.		
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SCR.8.1.		
SCR.8.2.		
SCR.8.3.		
SCR.8.4.		
SCR.8.5.	EIOPA should clarify in what circumstances IORPs will need to use the health risk module. We would expect ancillary pension scheme benefits such as enhanced pensions on ill-health retirement, and contribution waivers in the event of long-term sickness, to be included under the disability module.	
SCR.8.6.		
SCR.8.7.		
SCR.9.1.	Some collective investment vehicles used by IORPs include the use of financial risk mitigation techniques. IORPs should be able to make use of information provided by their investment managers on such techniques where they approximate the requirements in this section.	
SCR.9.2.		
SCR.9.3.		
SCR.9.4.		
SCR.9.5.		
SCR.9.6.		
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SCR.10.8.		
SCR.10.9.		
SCR.10.10.		
SCR.10.11.		
MCR.1.1.	Further consideration needs to be given to the level of any minimum capital requirement, with input from the supervisory authority in each member state.	
MCR.2.1.		
MCR.2.2.		
MCR.2.3.		
MCR.2.4.		
MCR.2.5.		
MCR.2.6.		
MCR.2.7.		
MCR.2.8.		
MCR.2.9.		
PRO.1.1.		
PRO.2.1.		
PRO.2.2.	We are supportive of this approach. However we believe that the majority of IORPs will lack the necessary skills to undertake the in-depth analysis required for the QIS, let alone the final proposals, if implemented. We would welcome exemptions, or additional guidance, for the managers of small and medium-sized IORPs.	
PRO.2.3.		
PRO.2.4.		
PRO.2.5.		
PRO.2.6.		
PRO.3.1.	This is an area where considerable professional guidance could be required, increasing costs to IORPs.	

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PRO.3.2.		
PRO.3.3.		
PRO.3.4.		
PRO.3.5.		
PRO.3.6.		
PRO.3.7.		
PRO.3.8.	The exercise of some options within an IORP are designed to be cost-neutral on a technical provisions basis, but give rise to a different pattern of cashflows. Could such options be excluded on the grounds of proportionality?	
PRO.3.9.		
PRO.3.10.		
PRO.3.11.		
PRO.3.12.		
PRO.3.13.		
PRO.3.14.		
PRO.3.15.		
PRO.3.16.		
PRO.3.17.		
PRO.3.18.		
PRO.3.19.	EIOPA should clarify who it considers to be the user of the information. From PRO.3.20. we assume that this is the supervisory authority. In this case it may be necessary for supervisory authorities in member states to issue additional guidance on proportionality. If the users are to include beneficiaries of IORPs, this judgement becomes much harder to exercise. We consider that the holistic balance sheet and capital requirement proposals are unduly complex and could potentially mislead individuals, leading to poor decisions.	
PRO.3.20.	We consider that to give a picture of the true impact on IORPs, the QIS should require the same	

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	degree of accuracy as financial and supervisory reporting.	
PRO.3.21.		
PRO.3.22.		
PRO.3.23.		
PRO.3.24.		
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PRO.3.27.		
PRO.3.28.		
PRO.4.1.		
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PRO.4.17.		

