

Comments Template on CP-12-003 – Draft Technical Specifications QIS IORP II		Deadline 31 July 2012 18:00 CET
Name of Company:	Federation of the Dutch Pension Funds Pensioenfederatie, Prinses Margrietplantsoen 90, 2595 BR Den Haag	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
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Reference	Comment	
General Comment	<p>Please find below the comments of the Federation of the Dutch Pension Funds on the EIOPA consultation concerning the draft technical specifications of the QIS IORP II.</p> <p>Our main concerns about this consultation can be summarised as follows:</p> <ul style="list-style-type: none"> ○ We have strong doubts about the objectives of and the justification or need for a review of the IORP Directive. ○ The up-coming QIS will provide insufficient information for the basis for proposals for a revised IORP Directive: More QIS's are required. ○ The timeframe as provided is too short in order to come up with a proper impact analysis both from the point of view of stakeholders as 	

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	<p>from the point of view of EIOPA.</p> <ul style="list-style-type: none"> ○ Pension Security needs to take into account the overall pension system of a country, including the balance between security, sustainability and adequacy. ○ More clarity is needed about the overall prudential framework. ○ We ask for a separate consultation on adequate recovery periods. ○ We do not think that the proposed Holistic Balance Sheet Approach will be workable as a supervisory tool. ○ We are very concerned that there will be a high degree of model risk and the risk of pseudo security. This has to be taken into account when evaluating the outcomes of this consultation. ○ We have serious doubts about the proportionality of the exercise and are very concerned about the costs it will generate for pension funds and ultimately for the beneficiaries. ○ We request to handle sensitive information strictly confidential. <p>Objectives: We are concerned that the objectives of the European Commission are not clear and concentrate too much on cross-border activities and internal market aspects instead of facilitating and promoting the setting up of IORPs. In addition, we are not convinced that the planned QIS- and HBS-exercise as such will contribute to increasing cross-border activities of pension funds.</p> <p>Usefulness of and Need for the review of the IORP Directive: We would like to revert to the concerns we have expressed from the very beginning of the IORP review process about the usefulness of and need for this whole exercise. We still have difficulties in seeing how a revised IORP Directive will remove or alleviate constraints to the freedoms as provided in the EU Treaty. This can be illustrated as follows:</p> <ul style="list-style-type: none"> • The Dutch occupational pension system (which complies fully with the current IORP Directive) does not hinder cross-border movement of capital. The IORPs and their service providers invest internationally, observing the prudent person rule as stipulated in the IORP Directive. • The Dutch occupational pension system does not hinder mobility of workers. 	

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	<p>Pension rights acquired in the Netherlands will be safeguarded and are not lost if someone decides to go cross-border. Dutch law does not affect accrued pension rights acquired abroad if someone decides to work in the Netherlands.</p> <ul style="list-style-type: none"> • The Dutch occupational pension system also does not hinder free provision of services. Pension funds may be set up in the Netherlands by everyone who wishes to do so when approved by the Dutch supervisory authority. An IORP authorized in the Netherlands may accept sponsorship by undertakings located in another Member State. An IORP authorized in another Member State may accept sponsorship by undertakings located in the Netherlands. It is our impression, that the situation in all or at least most of the other countries affected by the current IORP Directive is not very different from the situation in the Netherlands. <p>In view of the foregoing, we wonder which barriers to cross-border movement, the European Commission is seeking to take away.</p> <p>We do not think that the lack of harmonized solvency rules is a barrier to cross-border movement. We therefore have serious doubts about the claim that harmonized (new) solvency rules will lead to more cross-border activities and will consequently lead to better and more efficient pension schemes. Efficient occupational pension schemes execute asset management on international capital markets which are strictly monitored and evaluated. Social partners negotiate premiums and pension scheme features. These efficient schemes are subject to and fitted within complex fiscal rules and national social and labour law, entirely in line with member states' prerogative for designing national systems for retirement provision.</p> <p>As it is not the intention of the European Commission to undermine current efficient pension systems, it can neither be its intention that the present exercise will lead to an increase in premiums at Member State level. If this were to occur the purchasing power of members could shrink. Harmonization of solvency rules should not result in an increase of the premium of an individual pension fund or the de-risking of the asset mix. Such an increase would put a burden on the younger generations. Overall, a new supervisory regime should not lead to a distortion of the generational balance in current pension agreements.</p>	

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	<p>In addition, harmonized solvency rules could easily jeopardize the many tailor-made solutions (internal models) prevailing in the present Dutch Financial Assessment Framework (FTK). Those tailor-made solutions are necessary in order to cope with the large variety of Dutch pension funds (ranging from large to small company pension funds, from large to small industry wide pension funds and to funds in which the financial position is (in)directly related to public government decisions about wages / salaries and premiums).</p> <p>We would very much appreciate to have a discussion with the European Commission and EIOPA in in order to establish a proper mutual understanding about</p> <ul style="list-style-type: none"> • the remarks made in the public hearing on 1 March; • the relation between the different objectives of this exercise in the Call for Advice and in the Commission’s Green and White Paper on Pensions; • the intergenerational aspects of pensions (also looking at justifiable balance between employees and beneficiaries). <p>Only one QIS?</p> <p>We do not support the European Commission’s plans to run one QIS only. We think that the consultation document does not yet provide enough guidance. Assumptions directly derived from the Solvency II framework are further developed than those directly related to the specific nature of an IORP. Important examples are the missing inflation risk module and the valuation of security and adjustment mechanisms. In particular inflation risk for IORPs is more substantial than for insurers. More guidance and analysis are needed in order to come up with good solutions in this planned QIS.</p> <p>We think that the details of future quantitative requirements have to be decided upon at Level 1 in the Lamfalussy process. From a technical point of view more than one quantitative impact study is necessary, in order to calibrate and find a proper solution (if such a solution exists at all) for qualitative and quantitative requirements of a future IORP II Directive, also because the proposed technical specifications are not sufficient for an adequate overview of the impact on IORPs. More QISs would allow for calibrating all relevant data and aspects. Rather than rushing through this exercise, a good examination of existing good practice is necessary. It could be worth studying in</p>	

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	<p>depth the experiences of the current reforms of the Dutch FTK, a risk based supervisory framework with market consistent valuation, which is under reconstruction. There are plans to adjust the discounting rate for liabilities from short-term risk free rates to smoothing over longer periods.</p> <p>EIOPA intends to use aggregated data. This will make an adequate comparison of the outcomes for pension funds and countries impossible. Probably, EIOPA will not get sufficient insight in the underlying assumptions of the stochastic analysis which may differ significantly between individual IORPs. These differences in the assumptions could lead to material differences. Therefore more than one QIS is needed.</p> <p>Timeframe: First and foremost we want to express our concern about the very short timeframe of this consultation. We doubt whether both the stakeholders and EIOPA are able to properly analyse and interpret all the facts and figures. We therefore reserve the right to backtrack on some of the issues at a later stage. We challenge the assumption that enough feedback, data and figures can be collected in such a short period of time for both the current consultation and the upcoming QIS exercise. This does not comply with the required degree of thoroughness and the necessary democratic process for such a sensitive and socially and economically relevant issue as pensions.</p> <p>Overall Pension Security: With regard to pension security, it is also important to incorporate state pension systems in the considerations. A purely Internal Market approach is therefore, in our opinion, inappropriate. It is likely that new quantitative rules for IORPs along the lines proposed will increase the costs of IORPs. In case the costs become too high for workplace pensions, employers might move away and as a consequence the pressure on the, in many Member States already strained, state pension systems might even increase further. This would contradict the goal of the Commission "that any new supervisory system for IORPs should not undermine the supply or the cost-efficiency of occupational retirement provision in the EU." (Call for Advice, 2011) and "the aim that pensions should not only be secure but also be sustainable." (White Paper on Pensions from the European Commission, 2012).</p>	

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	<p>Furthermore, the proposed supervisory framework provides a strong incentive to change the investment policies of IORPs into more risk-free bonds instead of risk-bearing capital. As important long term investors, IORPs also have an important role to play in the EU 2020 strategy and investments in the future of the European economy, which, in turn, is very important for the affordability of future pensions</p> <p>We do not see the need for a uniform security level in a field so characterized by variations in retirement provision, both within the various pillars and the overall division over the pillars. As far as occupational pensions are concerned, the security level is part of the pension promise and up to social partners or Member States to decide upon. Another aspect is that in the end, higher security may imply lower pension benefits and as result less purchasing power for the beneficiaries. Social partners or Member States should be able to decide on the trade-off between pension security and sustainability.</p> <p>Prudential framework: The applicable prudential framework is still unknown. Without the prudential framework and clarity on items like trigger points for interventions, recovery periods and tiering, the real economic impact on contributions and pensions cannot be calculated and therefore there will not be insight in the impact on sponsors and beneficiaries. This impact analysis is far more important than calculating the technical provisions and the capital requirements. In this respect, we think that the QIS seems more tailored for correct valuation than for chartering the impact of using the HBS framework. Furthermore, the prudential framework will also determine the value of the adjustment and steering instruments. An impact analysis of those issues is far more important than calculating the technical provisions and the capital requirements. We would advocate a separate consultation on adequate recovery periods, since there are significant differences between Member States.</p> <p>The HBS – the ultimate solution? We do not know whether the HBS will work in practice. We are not sure whether the HBS is aimed at supervising the institution or the pension scheme itself (from a member perspective). For multi-employer plans it is extremely difficult to calculate</p>	

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	<p>sponsor support. With a complete pension contract, where it is clear how surpluses and deficits will be shared between the different stakeholders, the HBS will by definition lead to a cover ratio of 100%. We therefore have strong doubts about the informational value of the HBS. One could also have a holistic framework rather than a holistic balance sheet with much more freedom for Member States to calibrate that framework to the local pension system. We suggest alternatives such as an ALM study or stress tests for your consideration. We think that this will be a better solution than the HBS. If a continuity analysis involving runs over a thousand different scenarios results in an IORP managing to be stable with the help of steering mechanisms, this can provide better information than a HBS with all the present insecurities and disadvantages.</p> <p>Proportionality: The costs that will be generated by the execution of the QIS and the HBS itself seem to be disproportionate for especially small IORPs. In this respect we remind that any extra costs will be at the expense of extra contributions and/or lower benefits for pension fund members.</p> <p>Confidentiality: We want to advocate a strictly confidential treatment of the results of the up-coming QIS-exercise, in particular taking into consideration EIOPA’s intention “to analyse the data of individual IORPs after the QIS-exercise and to explain possible inconsistencies in the QIS results.” (Draft technical specifications QIS IORP II: Consultation Paper – Introduction -, Par. I.7.5.).</p>	
Q1.	<p>We do not agree with the set-up of this QIS exercise as put forward in the introduction, because we think this exercise has to be done exhaustively. We foresee that this QIS will not give all the necessary insights for a future IORP II directive; not all relevant questions can be addressed and clearly answered in only one study (at Lamfalussy Level 1).</p> <p>What will happen if the outcome of the first QIS will be unclear? Then EIOPA will certainly need a second QIS (and possibly even more QISs), which should be the input for the obligatory impact assessment to be carried out by the European Commission.</p>	

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	<p>We regret that this planned QIS is almost entirely based on the Solvency II framework and that little attention is paid to the specificities of IORPs, such as the valuation of the steering and adjustment mechanisms. This shortcoming is reflected in the documentation/questions: those based on Solvency II provisions are well-documented, whereas the ones related to the specific characteristics of pension funds are not sufficiently documented.</p> <p>Recalibrating towards other security levels than 99.5%, adopted for this QIS, e.g. 97.5% or 95% may lead to inaccurate approximations. Therefore, EIOPA should ask for even more information than already included in the proposed QIS so far.</p> <p>Considering the experiences of the Netherlands with market consistent valuation, we have learned that it is very likely that different organisations/approaches can come up with different analysis even though all are market consistent. Results from the QIS are thus uncertain and depend on assumptions in calibrating the best possible model. There is a risk that pension funds will not have enough time and at the moment they are certainly not sufficiently equipped to reply. The resources needed to run a QIS style solvency process will be very expensive to the vast majority of IORPs (proportionality). Therefore, those that participate will be a biased sample of large pension plans – those that can absorb the costs relatively easy. This will result in only a limited number of replies. The question also will be, whether in future, small IORPs will be able at all to apply the proposed rules. In addition the focus of responses will be on the technical details and not on the general concept and usability of the HBS. These drawbacks will be a serious threat for the value and use of the outcomes of the QIS.</p> <p>The approach the European Commission and EIOPA want to use in tiering (contingent) assets and liabilities is not taken into account in this consultation. Therefore we call for adding this approach to this exercise. Furthermore, it is not clear what a healthy pension fund should look like. If the pension contract is complete and all security mechanisms are included in the HBS, the funding ratio will by definition be 100%. Changes in (market) conditions will have an impact on the value of the balance sheet items (such as higher contributions or lower (conditional) benefits). But if – as will be the case in a complete pension contract – the security mechanisms will absorb all</p>	

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	<p>shocks; after a shock the funding ratio will be 100% once again. This will lead to a (net) Solvency Capital Requirement (SCR) of 0. The funding ratio – being always 100% - and SCR are as such no useful instruments in assessing the solvency of the fund.</p> <p>The intended use by EIOPA of aggregated data will make an adequate comparison of the outcomes for pension funds and countries impossible. Probably, EIOPA will not get sufficient insight in the underlying assumptions of the stochastic analysis which may differ significantly between individual IORPs. These differences in these assumptions could lead to material differences.</p> <p>We regret that the accompanying spread sheets are not included in this consultation. We also suggest additional questions to be added to the QIS as follows:</p> <ul style="list-style-type: none"> • What suggestions do stakeholders have to link supervisory actions to the concept of HBS? • When and how should these be triggered? • Which views do stakeholders have with regard to the length of recovery plans? 	
Q2.	<p>In case there would be only one QIS, more guidance needs to be given for the stochastic analysis. Furthermore, we think that the adjustment (discretionary and conditional benefits, last resort benefit reductions) and security mechanisms (sponsor support, pension protection schemes) available to IORPs are under-analysed, if the European Commission and EIOPA want to know all the possible answers/insights/numbers in only one QIS, as has been announced. These mechanisms are new elements for EIOPA to assess and it is unlikely that they can be fully and correctly assessed in only one QIS.</p> <p>We question whether fully conditional and fully discretionary mechanisms which EIOPA has chosen to categorise further will be taken into account in the HBS. Legal, contractual and constructive obligations also need to be taken into account. These can even have an ex-post impact, possibly changing accrued benefits (e.g. as a consequence of the outcome of court cases).</p> <p>Calculations show that if the sponsor support and the pension protection scheme complete the Technical Provisions at level A, there will always be a deficit especially with regard to the necessary capital beyond level A, since there are no assets for the</p>	

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	<p>risk margin. The SCR and buffer are a free surplus. Therefore the balance sheet cannot be closed (unless risk margin, free capita land SCR are zero). As Sponsor Support and Pension Protection Schemes risk margin are not supposed to be congruent (unless there is a contractual obligation to do so), there will always be a deficit if assets are not larger than the technical provisions and the risk margins. In the Netherlands, we have sponsor obligations that might be higher than the Technical provision level A, so that should be allowed for.</p>	
<p>Q3.</p>	<p>The consultation contains a lot of information. We are very concerned that there will be a high degree of model risk and the risk of pseudo security. This has to be taken into account when evaluating the outcomes of this consultation.</p> <p>We would like to underline again that Solvency II is a highly inappropriate starting point for the QIS on the pension sector due to the substantial and principal differences between pensions and insurers. The “new” items, e.g. the valuation of the steering and adjustment mechanisms, are not at all clear to us.</p> <p>In order to calculate the HBS many assumptions will have to be made. The risk of pseudo security is severe, i.e. balance sheet items will get a value, but this value is extremely sensitive for many assumptions, which, changing them, could lead to completely different results. There is an accumulation of assumptions which implies insecurities. Many very complex assumptions are to be made in order to evaluate liabilities and contingent assets: there are no reliable markets for long duration liabilities, for wage inflation and long duration volatility (important for contingent assets and liabilities like sponsor support and conditional indexation). The valuation of the steering and adjustment mechanisms requires complex (option) techniques.</p> <p>In our view a relevant factor is how many years of using the steering instruments may be included in the revised supervisory framework. The more years of additional contributions, the lower the capital requirements will be. Due to all this model risk, uncertainty and subjectivity of assumptions, it is very questionable how useful the outcome of a QIS will be, while it will be a very expensive exercise for IORPs.</p>	
<p>Q4.</p>	<p>The accuracy and the sensitivity of the outcomes are questionable (it will therefore result in pseudo security). The costs of the exercise are probably not justified given the expected reliability of the outputs. The process is very expensive; it implies doing</p>	

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	<p>an ALM type of study. It is estimated that a fund without such a model will run into costs of fifty to hundreds of thousands euros to develop a model or to pay consultants to do so. These costs would increase the administrative costs for the pension funds which, as stated above, are not for profit institutions that solely work for the benefit of their members.</p>	
<p>Q5.</p>	<p>Technically the guidance seems to be sufficient to set up a HBS, but there is still much room for interpretation. We are of the opinion that in many areas it is still rather vague how the HBS will have to be set up. Many calculations are either too complex or, in case of suggested simplifications, will not provide meaningful results. If this would be the only QIS (at Lamfalussy Level 1) before the proposal of an IORP II by the European Commission is launched, certainly not all relevant questions can be addressed and clearly answered in one run. EIOPA should ask for even more information and data than it is planning to ask in this up-coming and complex QIS. If the outcome of the first QIS would be unclear, EIOPA will need a second QIS and possibly even more QISs. Therefore the outcome of only one QIS may not be adequate to feed into the impact assessment to be carried out by the European Commission.</p> <p>Insights from the Netherlands with market consistent valuation, demonstrate that it is likely that different organisations/approaches will come up with different results even though all these results are market consistent. Data from the QIS will therefore most likely be unreliable and (very) dependent on assumptions (in calibrating the model etc.). This model risk could be quite severe. EIOPA needs to provide more guidance on this.</p> <p>Limited guidance is also provided on how to value the steering and adjustment mechanisms, whereas these elements are essential for IORPs and new compared to the well-developed Solvency II framework and differentiate IORPs from insurance companies. This will lead to large differences in the answers related to the same balance sheet items, both as a result of interpreting how and which options should be taken into account, the way these options should be calculated and the (different) simplifications that IORPs will use. Since so many choices need to be made, the comparability of data will be difficult. It would therefore be useful to learn from IORPs how they calculate the numbers. They should be asked which underlying assumptions</p>	

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	<p>are being used, even though this would require IORPs to deliver even more information.</p> <p>EIOPA is not asking for an indication of the differences between the options in HBS 4.37, i.e. stochastic, deterministic, deterministic + guarantees. Starting with a first simple QIS and gradually deciding on where more sophistication is needed in the next QISs (at Lamfalussy Level 1) would therefore guarantee a better process and results.</p>	
Q6.	<p>More simplifications are warranted. As stated in our answer to question 5, starting with a first simple QIS and gradually deciding on where more sophistication is needed in the next QISs (at Lamfalussy Level 1) would guarantee a better process. The required evidence for obtaining allowance to simplify is extensive. The simplified calculation of sponsor support and PPS refer to the valuation of a 1 year period, thus only underfunding at the date of valuation is taken into account. Occurring shortages and resulting additional sponsor support in subsequent years will therefore be neglected. This will result in an underestimated market value of the sponsor support/PPS when compared with a stochastic approach (like risk neutral valuation) that does take future shortages and hence sponsor support in coming years into account.</p> <p>The proposal that the maximum sponsor support should depend on the financial position of the sponsoring company is not appropriate. The definition of sponsor's profit and excess assets over liabilities is not sufficient as it does not tell anything about the sponsor's actual ability to provide financial support (the capital may be locked into non-liquid assets). Basing the sponsor support on EBDTA numbers is questionable. These numbers are very difficult to forecast, and can show a high dispersion among the various estimations (as we can see looking at forecasts by different analysts for the same company).</p> <p>A multiple of the annual pension cost or a percentage of the total salaries might be a better indicator of the sponsor's ability to provide additional support/guarantee. Deviation could be allowed where the IORP judges that the percentages are not realistic.</p>	

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	<p>The formulas for sponsor support are not useful in the case of a multi-employer fund, of which many exist, such as the Dutch industry wide funds with sometimes more than 10.000 non-listed employers. It is not clear how to calculate the value of the sponsor support for these industry wide funds.</p> <p>Many items, like spread risk and market risk concentrations, are not relevant in the case of pension funds and can easily be left out.</p> <p>The concepts of cost of capital and risk margin seem not to be very useful for IORPs. For the risk margin, explicit calculation based on the current IORP directive may be easier for IORPs than the Solvency II method, and at the same time more accurate than the proposed simplification. In this respect we also refer to our answer on Q17.</p>	
Q7.	<p>In the Netherlands IORPs are able to take into account the trend with regard to mortality as this is already common practice.</p>	
Q8.	<p>The definition of the contract boundaries is clear for Dutch IORPs, so from that perspective the cash flows should be clear.</p> <p>It is unclear though how the cash flows should be calculated in the HBS/QIS. In particular conditional cash flows are difficult to quantify through the three suggested methods in the QIS specifications. In order to produce reliable and comparable information across countries, the instructions on how standard premiums, recovery premiums etcetera will have to be taken into account, should be absolutely clear.</p> <p>Questions are arising such as:</p> <ul style="list-style-type: none"> • How should unconditional increases of accrued rights (DB final pay or unconditionally indexed average career pay) be valued? • To what extent do these unconditional rights belong to the accrued rights as quoted in HBS 4.13? • And if these are to be taken into account, should the related corresponding funding of contributions also be valued as an asset? <p>Little guidance is provided on the definition and valuation of conditional/discretionary/mixed benefits and the distinction between them. It is not clear what EIOPA perceives as the difference between conditional benefits (HBS 4.23 and further) and contractual</p>	

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	<p>options (HBS 4.51 and further).</p> <p>For contingent cash flows (both contingent assets and contingent liabilities), using a stochastic approach may be too burdensome and expensive. And at the same time, it is not clear at all how to attribute probabilities and value in a market consistent way by using a series of deterministic projections or using only one deterministic valuation. In some circumstances it is not always clear which part of the sponsor contribution is defined for normal accrual and which part is 'sponsor support' in respect of security mechanisms. More guidance is required in order to get a good indication of sponsor support; the reference to 'excess of its regular contribution' in HBS 6.10 is not sufficient as there may be many different definitions in the different Member States.</p>	
Q9.	<p>Only if benefit steering is a regular steering instrument, which has been properly communicated to the members.</p>	
Q10.	<p>The outcomes will be dependent on many assumptions. Alternatives for the concept of the HBS could be ALM studies, continuity analysis (as used in the FTK in the Netherlands) and stress tests. Please also see our answer to Q5.</p>	
Q11.	<p>As already mentioned in the answer to Q6, the valuation of the sponsor support and of the pension protection schemes will be extremely difficult. It is unclear which consequences there will be for a company. These should be investigated in more detail.</p> <p>It is not clear how multiple sponsors for industry-wide pension schemes and how the value of the sponsor in public sector pension schemes have to be calculated. Please also see the answer to Q6. Furthermore, the link to Credit Rating Agencies is remarkable. In October 2010, the Financial Stability Board also argued that the reliance on credit rating agencies should be reduced. They proposed that standard setters and authorities should assess references to credit rating agency ratings in standards, laws and regulations and, wherever possible, remove them or replace them by suitable alternative standards of creditworthiness. The ECON Committee of the European Parliament also emphasized this point recently: "<i>no EU law will be permitted to refer to credit rating for regulatory purposes</i>". It should be noted that the vast majority of employers who sponsor occupational pensions are not rated.</p>	

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<p>Q12.</p>	<p>No, see also Q6: More simplifications are warranted. As stated in our answer to question 5, starting with a first simple QIS and gradually deciding on where more sophistication is needed in the next QISs (at Lamfalussy Level 1) would guarantee a better process. The required evidence for obtaining allowance to simplify is extensive.</p> <p>The simplified calculation of sponsor support and PPS refer to the valuation of a 1 year period, thus only underfunding at the date of valuation is taken into account. Occurring shortages and resulting additional sponsor support in subsequent years are therefore neglected. This will result in underestimated market value of the sponsor support/PPS when compared with a stochastic approach (like risk neutral valuation) that does take future shortages and hence future sponsor support into account. The proposal that the maximum sponsor support should depend on the financial position of the sponsoring company is not appropriate. The definition of sponsor's profit and excess assets over liabilities is meaningless as it does not tell anything about the sponsor's actual ability to provide financial support (the capital may be locked into non-liquid assets). Basing the sponsor support on EBDTA numbers is questionable. These numbers are very difficult to forecast, and can show a high dispersion among the various estimations (as we can see looking at forecasts by different analysts for the same company).</p> <p>A multiple of the annual pension cost or a percentage of the total salaries might be a better indicator of the sponsor's ability to provide additional support/guarantee. Deviation could be allowed where the IORP judges that the percentages are not realistic.</p> <p>The formulas for sponsor support are not useful in the case of a multi-employer fund, of which many exist such as the Dutch industry wide funds with sometimes more than 10.000 non-listed employers. It is not clear how to calculate the value of the sponsor support for these industry funds.</p> <p>Many items, like spread risk and market risk concentrations, are not relevant for IORPs and can easily be left out.</p>	

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	<p>The concepts of cost of capital and risk margin seem not to be very useful for IORPs. For the risk margin, explicit calculation based on the current IORP directive may be easier for IORPs than the Solvency II method, and at the same time more accurate than the proposed simplification. In this respect we also refer to our answer on Q17. See our answer to Q11:</p> <p>As already mentioned in the answer to Q6, the valuation of the sponsor support and the pension protection schemes will be extremely difficult. It is unclear which consequences there will be for a company. These should therefore be investigated.</p> <p>If ratings are used for sponsor support, it is also important to take into account the judgement of rating agencies. Please also see the answer to Q6. These valuations will be very subjective and imply a high "model risk". For instance, how many years of EBDTA may be included (the more years, the higher the value of sponsor support)?</p> <p>An alternative approach is a direct comparison of the deficit with the shareholder value / free equity of sponsor.</p>	
Q13.	<p>For the purpose of this QIS and for the time being until discussions on this matter will be final, we can support this approximation. We give into consideration to study whether 50 bps are enough to estimate both matching and countercyclical premium. Given current market circumstances, 50 bps seems to be a low number from a historical perspective.</p> <p>The proposed criteria for using the matching premium seem to be ill-suited for IORPs, because these are directly copied from Solvency II. Using the matching premium will not be allowed for pension contracts based on intergenerational risk sharing, which is a key characteristic of IORPs compared to insurance companies.</p> <p>Next to the approximation of the so-called matching premium and countercyclical premium, we would also like to draw attention to the third measure that is suggested to account for the long-term nature of pension liabilities, the use of the UFR as extrapolation method where the interest rate markets are less liquid and distorted. We</p>	

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	<p>fully support the need for an extrapolation method. Such a method also provides stability to the illiquid part of the interest rate curve. Experience in among others the Netherlands has shown that without such a method, large volatility can result from small transactions in the markets, with substantial consequences for the valuation of technical provisions. As to the question, whether the proposed UFR-method is the best extrapolation method, there are some concerns with respect to the tension between 'regulatory' and 'economic' hedging, the possibly severe market imbalances due to the huge demand for fixed income assets around the last liquid point (and selling of shorter and longer dated assets), the negative consequences for economic hedges already set up and the complex methodology. Therefore, more research should be done on the UFR-method.</p>	
Q14.	<p>The use of the Level B discount rate is not yet very clear and may not be realistic in case the options IORPs have and can use (such as adjustment and steering mechanisms) are being taken into account. Therefore, at the moment, we cannot provide a proper analysis. As long as the current proposed method is only a first insight into the magnitude of the deviation of a Level A versus Level B technical provision and not for any parameter setting discussion, we can agree with the proposed way.</p> <p>The fixed equity premium of 3% for all other kind of assets (e.g. property, equities and alternative investments) does not correspond with the different levels of risk of these assets as described in the SCR standard formula, making some asset classes looking more attractive from the perspective of the HBS (in terms of return/risk). We would like to stress the danger of new quantitative requirements leading to a shift in the investment policy of an IORP and the broad macro-economic impact that may be undesirable in view of the EU strategy for growth and the role of long term investors such as IORPs. Such shifts in investment strategy have already occurred in insurance companies due to the calibration of Solvency II.</p> <p>As soon as EIOPA intends to work towards more detailed parameter setting or usage of the Level B discount rate, we preserve ourselves the right to backtrack on any comment made on the Level B discount rate.</p> <p>A sensitivity analysis would be helpful.</p>	

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<p>Q15.</p>	<p>We suggest to use break-even inflations implied by financial markets. These will lead to valuations consistent with financial markets (we were surprised to see EIOPA proposing valuation methods inconsistent with financial market prices). If and when financial markets discount for rising/declining inflations (they will be more responsive to actual events), these will be reflected in the HBS. If assumptions are applied that deviate from the market value (inflation or UFR) and the HBS is evaluated based on market valuation, this may all in all lead to discrepancies. If some balance sheet items are inconsistent with market prices, other items have to be inconsistent as well in order to compensate for that (by definition the balance sheet has to balance). Since there is no market for wage inflation, we would suggest using break-even inflation for price inflation plus x% (where the value of x is decided per country). Furthermore, EIOPA has to recognise that prices and wages are a national matter, potentially deviating substantially between countries, but even between companies/sectors. Since the wages in the company/sector are most relevant, IORPs should be allowed to deviate from local assumptions in case their situation/exposure is different. However, we understand that using break-even inflation may lead to valuation issues as there is not always a liquid market available for all inflation rates, as is the case for Dutch price inflation.</p> <p>As an alternative we would suggest EIOPA to prescribe a procedure (like the Smith-Wilson used for the yield curve) for break-even inflation rates by using an UFR, as is also used for interest rates.</p> <p>If this is not feasible within the given time frame, we would suggest using any last liquid point per currency as the break-even inflation rate for higher maturities. More research on the impact of using these assumptions will be needed before the first QIS (and also later QISs). A study should be done to establish whether this really can be applied across Europe, without running the risk of market distortions. The market for inflation-linked products is at present limited in Europe.</p> <p>In our opinion, EIOPA has not enough time to make the necessary calculations given the short timeframe. We think that inflation (both price and wage) is an important aspect that influences the financial healthiness of an IORP and therefore sufficient time for calibration is required. Given the nature of the liabilities, this aspect has less impact for insurance undertakings.</p>	

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Q16.	<p>For IORPs, it seems to be possible to perform the necessary calculations. A significant part of the calculation will be done using the spread sheet that is to be supplied by EIOPA. Thus, understanding all the formulas may not be necessary (these will be in the spread sheet), as the correct answer should emerge if the right data are input. This implies that the QIS can be performed by IORPs.</p> <p>However, it is questionable whether the outcome of the calculation is also good and understandable for IORPs and could be interpreted in the right way (completing a spread sheet does not mean that the calculation is understood).</p> <p>Especially the way the loss-absorbing capacity of adjustment mechanisms and security mechanisms in the calculation of the SCR should be interpreted needs more guidance in the technical specifications. Furthermore, some elements are still insufficient: it is unclear how the sponsor default risk should be calculated for multi-employer plans.</p>	
Q17.	<p>As we consider the security level to be part of the specific pension contract we do not think that the risks IORPs are facing are adequately reflected in the proposed calculations.</p> <p>Market risk & European economy The market risk module provides an incentive for IORPs to invest in (risk-free) bonds instead of alternative investments or in equity. As the crisis has taught us, government bonds are no longer secure. In addition, especially investments in alternative investments, such as infrastructure, will result in a higher required solvency margin. Investments in listed companies, direct investment in SME companies and investments in infrastructure by IORPs contribute to the Europe 2020 agenda and the growth of the entire European economy. This might be hampered due to the proposed higher risk buffers. In order to mitigate this non desirable incentive, we support the duration-based approach. However, we plead to decrease the prescribed stress level not only for equity investments, but also for other asset categories (alternative investments, property).</p> <p>Different risk categories Furthermore, we believe that – especially for the purpose of this QIS –some risks should not be included in the calculation of the SCR as they are not likely to be</p>	

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	<p>material for IORPs: health risk, operational risk, intangible asset risk module, pension disability-morbidity risk, pension revision risk, pension catastrophe risk, sub-module and counterparty default risk module. Inflation risk should be considered in the calculation of the SCR, especially for unconditional inflation linked pension benefits and final salary DB plans.</p> <p>The strong reliance on the rating of assets and the capital requirements (for spread risk and (sponsor) default risk is remarkable, since a lot of European policy makers are aiming to reduce over reliance on ratings. According to a recent ECON statement, <i>no EU law will be permitted to refer to credit rating for regulatory purposes</i>. Furthermore, it is remarkable that no capital requirement should apply to borrowings by or demonstrably guaranteed by national government of an EEA state. The risk of sovereign debt seems to be underestimated according to us.</p> <p>The longevity risk on the contrary, seems to be overestimated. With respect to pension liability risks within the SCR, this risk would be counted double if IORPs should incorporate a risk margin into their technical provisions for adverse assumptions. Also risks with respect to pension liabilities will be counted double. In the technical specifications, no attention is paid to this possible double counting. However, we reject the proposal to include a risk margin to the technical provisions in order to create a safety net for wrong assumptions. This should be done at the SCR. Including uncertainty to the technical provisions themselves leads to the risk of piling up prudence on prudence.</p> <p>Confidence interval</p> <p>We would like EIOPA to share the common method to be developed in order to derive results at a 97.5% and 95% security level from results based on a 99.5% security level. In our opinion, this is not possible without recalculating all modules, as the effects of the different steering and adjustment mechanisms will not be linear. Given that EIOPA intends to perform only one QIS before the EC presents a draft IORP Directive, we think that explicit calculation of at least the 97.5% and 95% security levels should be included in this QIS and asked to be calculated by the IORPs themselves. Without this information, we fear that in any decision of the EC regarding the security level the EC will be biased because only one set of results will be available at the time. We want to reiterate, however, that we are of the opinion that the E C should not choose any harmonised security level, but leave this up to</p>	

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	<p>individual IORPs/Social Partners/Member States. Of course, we are aware that inclusion of two additional confidence levels will put even greater stress upon IORPs to finish the QIS within the given timeframe and, this naturally adds to our remark that we feel that the timeframe is too tight for IORPs to properly complete the QIS.</p> <p>MCR The use of the MCR under a prudential framework is not clear yet and is not part of the current IORP Directive. Therefore, we cannot answer the questions if the prescribed calculation of a MCR is appropriate. However, the proposed MCR calculation could lead to an increase of the MCR (compared to the current level from IORP I and FTK in the Netherlands). We do not see any valid/ good reason for increasing the current MCR.</p>	
Q18.	<p>First of all, we would like to note that under full loss absorbing capacity in case of a complete contract, the Holistic Balance Sheet funding ratio will always be 100% (like the funding ratio of an individual DC scheme). This is so, because changes in (market) conditions will have impact on value of HBS items, but not on (holistic) funding ratio (and therefore this will lead to a SCR of 0). This implies that the SCR in the Holistic Balance Sheet context is not a useful instrument in assessing the solvency position of IORPs.</p> <p>In the draft technical specifications, the loss-absorbing capacity of adjustment mechanisms and security mechanisms is not adequately taken into account in the calculation of the SCR. Specific details on how to calculate the net SCR parts are missing, especially the nBSCR(TP) and nBSCR(SM). Furthermore the simplification of separating the effects of the loss absorbing capacity of the technical provisions and of the steering mechanisms is inappropriate for most IORPs where both depend on a funding ratio. This separation is no simplification as it requires a doubling of the calculations and will imply an unclear treatment of interdependent effects.</p> <p>Moreover, it is not possible to calculate the net SCR relating to benefit and steering mechanisms by assuming that the value of technical provisions has not changed as a result of the scenario: when it comes to the interest rate scenario, if one assumes that the value of the technical provisions does not change, there would be no effect on the funding ratio, and thus no effect on the value of the security mechanisms. This seems</p>	

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	<p>to imply that security mechanisms would only be counted in the equity or property scenario and not in the interest rate scenario.</p> <p>We propose a method in which not an adjustment (Adj) for the loss absorbing capacity is calculated, but directly a gross and a net SCR. The detour of any adjustment calculation is considered unnecessary and complex for the purpose of this QIS.</p>	
Q19.	<p>Given some of the simplifications proposed by EIOPA (e.g. inflation rate, risk margin, level B discount rate), we propose to refrain from operational risk, at least for the purpose of this QIS. Another alternative could be to allow for a single number for the operational risk component. Operational risk is certainly not the most important component of the SCR, - DNB did not include operational risk in the solvency calculations of the FTK- and the reference to the size of past contributions is not expected to yield material differences between IORPs (relative to the size of the fund).</p>	
Q20.	<p>First of all, we believe that some of the basic calculations are too complex, given the expected materiality of the risk and the purpose of this QIS. More guidance is needed according to us. The proposed simplifications should be the basis formula. This is also the case because the requirements for proportionality are complex themselves. The proposed process on when to apply proportionality seems to be more labour-intensive than doing actual calculations and for this QIS the level of detail for proportionality seem superfluous.</p> <p>In respect of simplification, health risk, operational risk, intangible asset risk module, pension disability-morbidity risk, pension revision risk, pension catastrophe risk sub-module and counterparty default risk module are not (very) material for IORPs and should be excluded from this first QIS. At the same time, we suggest to include (wage) inflation risk. In the Dutch FTK framework, we work with the following risks: interest rate risk, market risk, currency risk, commodity risk, credit risk and insurance risk.</p> <p>The simplifications provided for the calculation of the spread risk and collateral are adequate. The simplifications for mortality, longevity and catastrophe risk are adequate from a technical point of view, but the assumed stress scenarios are overestimated in our view.</p>	

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Q21.	<p>In general, most of the proposed counterparty default risks are very difficult. Most of the text is copied from Solvency II where experience in this type of calculation has been built up over years. For IORPs, currently no capital requirement for counterparty default risk is calculated in such a detailed way as under Solvency II. Given the purpose of this QIS, it is advisable to simplify substantially or remove this entire section. More simplification is needed as stated above. The treatment of sponsor default risk is not appropriate and should according to us not been taken into account in the SCR. It is unclear how the sponsor default risk should be valued in multi-employer plans. The counterparty default risk module of the SCR calculation is very detailed and may not be that material.</p>	
Q22.	<p>We believe that – especially for the purpose of this QIS – the benefit option risk should not be included in the calculation of the SCR as it is not likely to be material, while it requires a lot of time and effort to determine the benefit option SCR. The main aim of this QIS is to answer the question whether a Holistic Balance Sheet will be appropriate as supervisory tool. For achieving this goal, calculation of the benefit option SCR will be superfluous.</p>	
Q23.	<p>We do not think that the criteria and the descriptions of financial and insurance risk mitigation are sufficiently clear and understandable for IORPs. More guidance on how the different risk mitigating instruments will influence the SCR (numerical examples) would be helpful for IORPs. Furthermore, especially the paragraph on rolling and dynamic hedging needs more attention. The definitions relating to when an IORP is allowed to use a rolling hedge program as full risk mitigation technique could be further explained. For example it has not been not determined how IORPs should (i) judge the risk that the hedge cannot be rolled over due to an absence of liquidity in the markets, (ii) how to calculate the costs of renewing the same hedge and (iii) how determine how the additional counterparty risk which arises from rolling over the hedge.</p>	
I.1.1.		
I.1.2.		
I.1.3.		
I.1.4.		

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I.1.5.		
I.2.1.		
I.2.2.		
I.2.3.		
I.2.4.		
I.2.5.		
I.2.6.		
I.3.1.		
I.3.2.		
I.4.1.		
I.4.2.		
I.4.3.		
I.4.4.		
I.4.5.		
I.4.6.		
I.4.7.		
I.4.8.		
I.4.9.		
I.4.10.		
I.4.11.		
I.4.12.		
I.4.13.		
I.4.14.		
I.4.15.		

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I.4.16.		
I.4.17.		
I.4.18.		
I.4.19.		
I.4.20.		
I.4.21.		
I.4.22.		
I.5.1.		
I.5.2.		
I.5.3.		
I.5.4.		
I.5.5.		
I.5.6.		
I.5.7.		
I.5.8.		
I.6.1.		
I.6.2.		
I.6.3.		
I.7.1.		
I.7.2.		
I.7.3.		
I.7.4.		
I.7.5.		

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I.8.1.		
I.8.2.		
I.8.3.		
I.8.4.		
I.8.5.		
I.8.6.		
I.9.1.		
I.9.2.		
I.9.3.		
I.10.1.		
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.		
HBS.2.8.		
HBS.3.1.		

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HBS.3.2.		
HBS.3.3.		
HBS.3.4.		
HBS.3.5.		
HBS.3.6.		
HBS.3.7.		
HBS.3.8.		
HBS.3.9.		
HBS.3.10.	There is no guidance on the calculation of balance sheet items if there is not a relevant market price.	
HBS.3.11.	If the IORP has contingent, non-linear cash flows, these assumptions require using a complex option model (risk-neutral valuation) to do the calculations. Not many IORPs will have these models and even not many pension consultants do seem to have the required models and expertise (and therefore possibly local supervisors neither). Experience in the Netherlands has demonstrated that various models can give different results, even if the models are all market consistent and calibrated to market prices. The assumptions required for missing markets – like wage inflation, long dated volatility, the long end of curves – requires many assumptions, leading to (substantial) model risk.	
HBS.3.12.		
HBS.3.13.		
HBS.3.14.		
HBS.3.15.		
HBS.3.16.		
HBS.3.17.		
HBS.3.18.		
HBS.3.19.		
HBS.3.20.		
HBS.3.21.		

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HBS.3.22.		
HBS.3.23.	Is this only applicable for conditional elements or also for discretionary elements?	
HBS.3.24.		
HBS.3.25.		
HBS.3.26.		
HBS.3.27.		
HBS.3.28.		
HBS.3.29.		
HBS.4.1.		
HBS.4.2.		
HBS.4.3.		
HBS.4.4.		
HBS.4.5.		
HBS.4.6.		
HBS.4.7.		
HBS.4.8.		
HBS.4.9.		
HBS.4.10.		
HBS.4.11.		
HBS.4.12.		
	<p>Questions arising:</p> <ul style="list-style-type: none"> • How should unconditional increases of accrued rights (DB final pay or unconditionally indexed average career pay) be valued? • To what extent do these unconditional rights belong to the accrued rights as quoted in HBS 4.13? • And if these are to be taken into account, should the related corresponding contributions also be valued as an asset? 	
HBS.4.13.		
HBS.4.14.		

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HBS.4.15.		
HBS.4.16.		
HBS.4.17.		
HBS.4.18.		
HBS.4.19.		
HBS.4.20.		
HBS.4.21.		
HBS.4.22.		
HBS.4.23.	It is not clear what EIOPA perceives as the difference between conditional benefits (HBS 4.23 and further) and contractual options (HBS 4.51 and further).	
HBS.4.24.		
HBS.4.25.		
HBS.4.26.		
HBS.4.27.		
HBS.4.28.	It is clear that EIOPA members have different views. This makes it possibly difficult for IORPs to have enough guidance. Next to that, it is possible or even likely that various IORPs will use different interpretations, making comparisons between IORPs and/or countries less reliable and useful.	
HBS.4.29.		
HBS.4.30.		
HBS.4.31.		
HBS.4.32.		
HBS.4.33.		
HBS.4.34.		
HBS.4.35.		
HBS.4.36.	Next to calculating an upper limit, it is also sensible to calculate a lower limit, assuming that the non-unconditional benefit is not there.	
HBS.4.37.	EIOPA is not asking for an indication of the difference between the options in HBS	

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	4.37, i.e. stochastic, deterministic, deterministic + guarantees.	
HBS.4.38.		
HBS.4.39.		
HBS.4.40.		
HBS.4.41.		
HBS.4.42.		
HBS.4.43.		
HBS.4.44.		
HBS.4.45.		
HBS.4.46.		
HBS.4.47.		
HBS.4.48.		
HBS.4.49.		
HBS.4.50.	It is not very clear what EIOPA perceives as the difference between ex-ante and ex-post benefit reductions. Although there is the option to exclude ex-post benefit reductions from the TP (HBS 4.50), what is the difference if these are to be included?	
HBS.4.51.	It is not clear what EIOPA perceives as the difference between conditional benefits (HBS 4.23 and further) and contractual options (HBS 4.51 and further).	
HBS.4.52.		
HBS.4.53.		
HBS.4.54.		
HBS.4.55.		
HBS.4.56.		
HBS.4.57.		
HBS.4.58.		
HBS.4.59.		
HBS.4.60.		

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HBS.4.61.		
HBS.5.1.	Cost of capital is not a useful concept for IORPs.	
HBS.5.2.	It is unclear what the basis for the assumed parameter of 8% is and whether this is applicable / adequate for IORPs (also see HBS 5.1).	
HBS.5.3.		
HBS.5.4.		
HBS.5.5.		
HBS.6.1.		
HBS.6.2.		
HBS.6.3.		
HBS.6.4.		
HBS.6.5.		
HBS.6.6.		
HBS.6.7.		
HBS.6.8.		
HBS.6.9.		
HBS.6.10.	In some circumstances it is not always clear which part of the sponsor contribution is defined for normal accrual and which part is 'sponsor support' in respect of security mechanisms. More guidance is required in order to get good indication of sponsor support; the reference to 'excess of its regular contribution' in HBS 6.10 is not sufficient as there may be many different definitions in the different Member States.	
HBS.6.11.		
HBS.6.12.		
HBS.6.13.		
HBS.6.14.		
HBS.6.15.	It is unclear what to use in case of a multi-employer IORP (in the Netherlands, there are many industry wide schemes with over 10.000 non-rated employers).	
HBS.6.16.	It is unclear what to use in case of a multi-employer IORP (in the Netherlands, there are many industry wide schemes with over 10.000 non-rated employers). With many	

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	employers, the sponsor risk is better diversified and should therefore be lower (than 4.175%).	
HBS.6.17.	There is no justification of the 50% presented.	
HBS.6.18.		
HBS.6.19.		
HBS.6.20.		
HBS.6.21.		
HBS.6.22.		
HBS.6.23.		
HBS.6.24.		
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HBS.6.36.		
HBS.6.37.		
HBS.6.38.		
HBS.6.39.		
HBS.6.40.		
HBS.6.41.	The simplification is already asking for four steps (and a lot of calculations).	

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HBS.6.42.		
HBS.6.43.		
HBS.6.44.		
HBS.6.45.		
HBS.6.46.		
HBS.6.47.		
HBS.6.48.		
HBS.6.49.		
HBS.6.50.		
HBS.6.51.		
HBS.6.52.		
HBS.6.53.		
HBS.6.54.		
HBS.6.55.		
HBS.6.56.		
HBS.6.57.		
HBS.6.58.		
HBS.6.59.		
HBS.6.60.	The section on PPS is not relevant for the Netherlands. We leave commenting to other countries.	
HBS.6.61.		
HBS.6.62.		
HBS.6.63.		
HBS.6.64.		
HBS.6.65.		
HBS.6.66.		
HBS.6.67.		

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HBS.6.68.		
HBS.6.69.		
HBS.6.70.		
HBS.6.71.		
HBS.6.72.		
HBS.6.73.		
HBS.6.74.		
HBS.6.75.		
HBS.6.76.		
HBS.6.77.		
HBS.6.78.		
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.		
HBS.7.2.		
HBS.7.3.		

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HBS.7.4.		
HBS.7.5.		
HBS.7.6.		
HBS.7.7.		
HBS.7.8.		
HBS.7.9.		
HBS.7.10.		
HBS.7.11.		
HBS.7.12.		
HBS.7.13.		
HBS.7.14.		
HBS.7.15.		
HBS.7.16.		
HBS.7.17.		
HBS.7.18.		
HBS.7.19.		
HBS.7.20.		
HBS.7.21.		
HBS.7.22.		
HBS.7.23.		
HBS.7.24.		
HBS.7.25.		
HBS.7.26.		
HBS.7.27.		
HBS.7.28.		
HBS.7.29.		

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HBS.7.30.		
HBS.7.31.		
HBS.7.32.		
HBS.7.33.		
HBS.7.34.		
HBS.7.35.		
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.	This is even more stringent than the curve Solvency II will apply to insurance companies.	
HBS.8.5.		
HBS.8.6.		
HBS.8.7.	Next to the approximation of the so-called matching premium and countercyclical premium, we would also like to draw attention to the third measure that is suggested to account for the long-term nature of pension liabilities, the use of the UFR as extrapolation method where the interest rate markets are less liquid and distorted. We fully support the need for an extrapolation method. Such a method also provides stability to the illiquid part of the interest rate curve. Experience in among others the Netherlands has shown that without such a method, large volatility can result from small transactions in the markets, with substantial consequences for the valuation of technical provisions. As to the question, whether the proposed UFR-method is the best	

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	extrapolation method, there are some concerns with respect to the tension between 'regulatory' and 'economic' hedging, the possibly severe market imbalances due to the huge demand for fixed income assets around the last liquid point (and selling of shorter and longer dated assets), the negative consequences for economic hedges already set up and the complex methodology. Therefore, more research should be done on the UFR-method.	
HBS.8.8.		
HBS.8.9.		
HBS.8.10.		
HBS.8.11.		
HBS.8.12.	We suggest to define this as default option.	
HBS.8.13.		
HBS.8.14.		
HBS.8.15.		
HBS.8.16.		
HBS.8.17.		
HBS.8.18.		
HBS.8.19.		
HBS.8.20.		
HBS.8.21.		
HBS.8.22.		
HBS.8.23.	We suggest using break-even inflation.	
HBS.8.24.	We suggest using break-even inflation for prices, adjusted with e.g. x% (where the value of x is decided per country) to compensate for the difference between wage and price inflation.	
HBS.9.1.		
HBS.9.2.		
HBS.9.3.		

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HBS.9.4.		
HBS.9.5.		
HBS.9.6.		
HBS.9.7.		
HBS.9.8.		
HBS.9.9.		
SCR.1.1.	<p>We believe that – especially for the purpose of this QIS – some risks should not be included in the calculation of the SCR as they are not likely to be material, while it takes a lot of time and effort to determine the SCR’s. The main aim of this QIS is to answer the question whether a Holistic Balance Sheet will be appropriate as supervisory tool. For achieving this goal, calculation of the SCR of the following risks will be superfluous:</p> <ul style="list-style-type: none"> • Health risk • Operational risk • Intangible asset risk module • Market risk concentrations • Pension disability-morbidity risk • Pension revision risk • Pension catastrophe risk sub-module • Counterparty default risk module 	
SCR.1.2.		
SCR.1.3.	Any circularity in the calculations would only occur if the risk margin is calculated according to the Solvency II method. However, the simplification of a fixed risk margin is presented as the standard method for the purpose of this QIS. So, in general, does EIOPA consider to calculate the SCR without inclusion of the risk margin for the technical provisions? We would support this, and in this case advise to remove the words « to avoid circularity in the calculation».	
SCR.1.4.	Please insert a specific reference to the appropriate section.	
SCR.1.5.		
SCR.1.6.	For the purpose of this QIS, this risk category should not be taken into account. This	

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	risk will not be material for IORPs, while it takes a lot of time and effort to determine the SCR's.	
SCR.1.7.		
SCR.1.8.	« Furthermore, the liabilities should not include subordinated liabilities ». It is not clear what is meant with subordinated liabilities, as this term has not been introduced before, nor is it defined within this section.	
SCR.1.9.		
SCR.1.10.	This description needs more clarification. Future management actions could also be dependent on the prudential framework, which is still unknown.	
SCR.1.11.		
SCR.1.12.	<p>We would like EIOPA to share the common method to be developed in order to derive results on a 97.5% and 95% security level from results based on a 99.5% security level. In our opinion, this is not possible without recalculating all modules, as the effects of the different steering mechanisms may not be linear. Given that EIOPA intends to perform only one QIS before the EC presents a draft guideline, we think that explicit calculation of at least the 97.5% and 95% security levels should be included in this QIS and asked to be calculated by the IORPs themselves. Without this information, we fear that in any decision of the EC regarding the security level (although we want to stress that we are of the opinion that the EC should not choose any harmonised security level but leave this up to individual IORPs /Member States) the EC will be biased because only one set of results will be available at the time.</p> <p>We are aware that inclusion of two additional confidence levels will put even greater stress upon IORPs to finish the QIS within the given timeframe. This only adds to our general remark that we feel the timeframe is too small for IORPs to properly complete the QIS.</p>	
SCR.1.13.		
SCR.1.14.		
SCR.1.15.		
SCR.1.16.	The requirements for proportionality are complex themselves. The proposed process on when to apply proportionality seems to be more labour-intensive than doing actual calculations and for this QIS level of details for proportionality seem superfluous.	

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SCR.1.17.		
SCR.1.18.		
SCR.1.19.		
SCR.1.20.	The individual components Adj1 and Adj2 are not defined. The formula should be SCR = BSCR + Adj + Op It is only in SCR 2.25 that Adj2 is suddenly described.	
SCR.1.21.	Please insert a sub-title above this section reading « BSCR calculation » to improve the structure of the document.	
SCR.1.22.		
SCR.1.23.		
SCR.1.24.		
SCR.1.25.	The positive correlation between pension liability risk and market risk is surprising. We propose a correlation of 0, like in the Dutch FTK. The most important determinant of pension liability risk is the longevity risk. Another relevant risk is the expenses risk. A positive correlation between longevity and market risk seems not logical (lower market returns will imply higher longevity). For expenses risk, lower returns will lead to a pressure on expenses, so you should expect a negative correlation.	
SCR.2.1.		
SCR.2.2.		
SCR.2.3.		
SCR.2.4.		
SCR.2.5.	Also, increased employee contribution can be a form of security mechanism. This should be included.	
SCR.2.6.		
SCR.2.7.	Should there be a relation with sponsor support ?	
SCR.2.8.	We propose to also allow for only one net calculation for IORPs that cannot separate between the loss absorbing capacity of security mechanisms and those of technical provisions. See also our comment in section SCR 2.10	
SCR.2.9.		
SCR.2.10.	It is not clear what is meant by the phrase « Therefore, for each (sub-)module IORPs	

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	<p>can derive the best estimate value of the technical provisions relating to pure conditional, pure discretionary and mixed benefits and benefits subject to ex post reductions as well as the value of sponsor support and pension protection schemes from both balance sheets. »</p> <p>Regarding the phrase « The net SCR relating to loss-absorbency of technical provisions can then be established by assuming that the value of security mechanisms has not changed. The net SCR relating to loss-absorbency of security mechanisms can then be established by assuming that the value of technical provisions has not changed as a result of the scenario. » this may result in an unfair representation of the loss-absorbing capacity of both the security mechanisms and the technical provisions, as both may be interrelated. We propose to also allow for only one net calculation for IORPs that cannot separate between the loss absorbing capacity of security mechanisms and those of technical provisions.</p> <p>Also, it is not possible to calculate the net SCR relating to loss-absorbency of security mechanisms by assuming the value of technical provisions has not changed as a result of the scenario: when it comes to the interest rate scenario, if one assumes that the value of the technical provisions does not change, there would be no effect on the funding ratio, and thus no effect on the value of the security mechanisms. This seems to imply that security mechanisms would only be counted in the equity or property scenario and not in the interest rate scenario.</p> <p>This proposal has consequences for most of the text in section SCR 2.15 until SCR 2.27</p>	
SCR.2.11.		
SCR.2.12.		
SCR.2.13.	<p>« Adj1 » should probably be « Adj », pending the changes to be made in the definition in SCR1.20</p> <p>We propose to also allow for one calculation of the adjustments for both security mechanisms and technical provision. The calculation formula therefore will become:</p> $Adj = Adj_{SM+TP} + Adj_{DT}$	
SCR.2.14.		
SCR.2.15.	<p>General comment regarding the sections SCR2.15 until SCR 2.27: these sections are difficult to follow and the calculations are not very clear. Not all variables are properly defined. It would be helpful if the same structure of description, input, output and</p>	

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	calculation would be followed.	
SCR.2.16.		
SCR.2.17.		
SCR.2.18.		
SCR.2.19.	The term DCL is not properly defined.	
SCR.2.20.	MSS _{available} does not always exist: in case there is no sponsor covenant, but there is the possibility to increase employee contribution, this definition is not appropriate.	
SCR.2.21.	See comment in SCR 2.20.	
SCR.2.22.		
SCR.2.23.		
SCR.2.24.	Net over all modules, this implies that IORPs are always allowed to take account of the maximum value of sponsor support, pension protection scheme and DCL as loss absorbing capacity, even if in the market risk, pension liability risk and counterparty default risk these where not capped? Please clarify.	
SCR.2.25.		
SCR.2.26.		
SCR.2.27.		
SCR.2.28.		
SCR.2.29.		
SCR.2.30.		
SCR.2.31.		
SCR.2.32.		
SCR.2.33.		
SCR.2.34.		
SCR.2.35.		
SCR.3.1.	Given some of the earlier simplifications (i.e. for the risk margin) and the low expected impact of operational risk for IORPs, the calculation proposed here is overly complicated. In the current Dutch regulatory framework (FTK), operational risk is	

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	excluded from the capital requirements for DB schemes because of its insignificance. We propose to exclude operational risk, especially for the purpose of this QIS.	
SCR.3.2.	As stipulated in SCR1.3, the technical provisions are to be understood without risk margin. This section is superfluous, and only leads to doubt whether in other sections technical provisions are to be calculated including risk margin. We propose to delete, or to amend text to reflect that this only stresses the same point made in SCR1.3.	
SCR.3.3.	It is not clear what is to be considered pension obligations where the investment risk is borne by members and beneficiaries. In the Netherlands, for collective defined contribution schemes, the investment risk is partly borne by current members, partly by future members and partly by sponsor(s). Given the definition, we would consider this as a pension obligation where the investment risk is borne by members and beneficiaries, so the resulting operational risk from this part would be 0.	
SCR.3.4.		
SCR.3.5.		
SCR.3.6.	It is not clear why EIOPA has chosen for the proposed formula to calculate capital requirement for operational risk. It is not clear why operational risk is increasing if the amount of contributions has grown in excess of 20%. Also, it is not clear why the parameter 4% has been chosen.	
SCR.4.1.	We propose to delete the section on intangible asset risks for the purpose of this QIS. It is likely to be immaterial for most participating IORPS, as IORPs invest most of their assets in tangible assets. The purpose of this QIS is to gain more understanding about the working of the holistic balance sheet and the largest effects on SCR, not to calculate minor details of the SCR. Especially, if IORPs do happen to invest in intangible assets, for as far as they are exposed to market risks, these will be properly taken into account in the relevant market risk sections.	
SCR.4.2.		
SCR.4.3.		
SCR.4.4.	It is not clear why EIOPA assumes the value of 80% of the exposure to be relevant as calculation of the capital requirement for intangible assets	
SCR.5.1.	As such, the level of market prices is not the cause for market risks.	
SCR.5.2.	As stated earlier in SCR2.10, allowing for the necessary simultaneous calculation of the loss absorbing capacity of both security mechanisms and technical provisions, also	

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	requires changes to these and following sections.	
SCR.5.3.		
SCR.5.4.		
SCR.5.5.		
SCR.5.6.		
SCR.5.7.		
SCR.5.8.		
SCR.5.9.		
SCR.5.10.		
SCR.5.11.		
SCR.5.12.		
SCR.5.13.		
SCR.5.14.		
SCR.5.15.	In I.4.11, EIOPA states that it is still considering inserting an inflation risk module. While this is currently still missing, we suggest to delete the sentence « This applies to both real and nominal term structures. » As the real term structure can be considered to be derived from the nominal and inflation term structure, without any inflation term structure and inflation risk module, it is not possible for IORPs to consider real interest term structure.	
SCR.5.16.		
SCR.5.17.		
SCR.5.18.		
SCR.5.19.		
SCR.5.20.		
SCR.5.21.		
SCR.5.22.	Are the shocks supposed to be multiplied on the market interest rate curve including or excluding the Smith Wilson procedure for extrapolation?	
SCR.5.23.		

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SCR.5.24.		
SCR.5.25.		
SCR.5.26.		
SCR.5.27.	« Where data regarding maturities is not available ». Does EIOPA refer here to data regarding cash flows or regarding interest rate maturities? The latter is redundant given the Smith-Wilson extrapolation procedure, pending the answer on our question under SCR5.22.	
SCR.5.28.	As such, the level of market prices of equity is not the cause for equity risks.	
SCR.5.29.		
SCR.5.30.	The percentage of assets invested in each equity category is also needed as input.	
SCR.5.31.		
SCR.5.32.		
SCR.5.33.		
SCR.5.34.		
SCR.5.35.		
SCR.5.36.		
SCR.5.37.		
SCR.5.38.		
SCR.5.39.	Investments in infrastructure by IORPs, which contribute to the EU 2020 agenda and the growth of the entire European economy, will be categorised as alternative investments. This results in a high required solvency charge, so a disincentive to invest in infrastructure. An alternative could be to incorporate infrastructure into the property category.	
SCR.5.40.		
SCR.5.41.	The index 'x' is redundant and leads to confusion.	
SCR.5.42.		
SCR.5.43.		
SCR.5.44.		

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SCR.5.45.		
SCR.5.46.	<p>The idea of the duration-based approach can be supported. However, it is inconsistent to decrease to stress only for equity investments and not for the other asset categories (especially alternative investments). Furthermore, it is debatable why there is a hard limit on the average duration of 12 years. More different levels of average durations with associated stress levels would be more appropriate. For example an equity stress of 25% for an average duration which exceeds 8 years, a stress of 22% for an average duration which exceeds 12 years and an equity stress of 15 % for an average duration which exceeds 16 years.</p>	
SCR.5.47.	We suppose that EIOPA means that no ADDITIONAL calculation is required.	
SCR.5.48.		
SCR.5.49.		
SCR.5.50.		
SCR.5.51.		
SCR.5.52.	The percentage of assets invested in property is also needed as input.	
SCR.5.53.		
SCR.5.54.		
SCR.5.55.		
SCR.5.56.		
SCR.5.57.		
SCR.5.58.		
SCR.5.59.		
SCR.5.60.		
SCR.5.61.		
SCR.5.62.	<p>“Non-listed equity and property should be assumed to be sensitive to the currency of the country where it is located or the currency of the country where the issuer of the equity has its main operation, respectively.” Because of the use of the term ‘respectively’, the items non-listed equity and property should be changed to avoid confusion.</p>	

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SCR.5.63.	The percentage of assets subject to currency risk for each of the relevant currencies is also needed as input.	
SCR.5.64.		
SCR.5.65.		
SCR.5.66.		
SCR.5.67.		
SCR.5.68.		
SCR.5.69.		
SCR.5.70.		
SCR.5.71.		
SCR.5.72.	What if $nMKT_{fx,c,TP} = nMKT_{fx,c,TP}^{UP}$ and $nMKT_{fx,c,SM} = nMKT_{fx,c,SM}^{DOWN}$?	
SCR.5.73.	In general, for the purpose of this QIS, the section on spread risk is far too detailed. The purpose of this QIS should be to gain insight in the working of the Holistic Balance Sheet and not to provide a calculation as detailed as possible on all sorts of risks. In particular, we suggest to at least remove, for the purpose of this QIS, the sections on mortgage covered bonds, structured products and credit derivatives, as these are unlikely to be of material effect for IORPs and for the working of the Holistic Balance sheet. Notwithstanding this comment, we have still taken the liberty to react also on those sections we have suggested to remove completely.	
SCR.5.74.	The entire scope of the spread risk module is split out over sections SCR.5.74, SCR.5.75, SCR.5.77 and SCR.5.80. We suggest to include one single section in which the entire scope is laid out, in order to avoid misinterpretation of the relative importance of one asset class over the other. For example, there is no specific mentioning that the spread risk section is also to be applied for government bonds, while from SCR.5.93 onwards this is still being discussed.	
SCR.5.75.		
SCR.5.76.		
SCR.5.77.		
SCR.5.78.		

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SCR.5.79.		
SCR.5.80.	Up until here, EIOPA has been talking about the spread risk module, while in this and the following section, EIOPA refers to the 'spread risk sub-module'. Is the addition '-sub' intended ? If so, it is not clear what the distinction with the spread risk module is.	
SCR.5.81.		
SCR.5.82.	There is no subsection V.1. The strong reliance between the rating of assets and the capital requirements is remarkable, since a lot of European Policy makers are aiming to reduce over reliance on ratings. According to a recent ECON statement, <i>no EU law will be permitted to refer to credit rating for regulatory purposes.</i>	
SCR.5.83.		
SCR.5.84.	Again, please also allow for an integral calculation of the loss absorbing capacity if both security mechanisms and technical provisions.	
SCR.5.85.		
SCR.5.86.		
SCR.5.87.		
SCR.5.88.	Without performing the actual calculations, as will only be done during the actual QIS, it is impossible for us to assess whether the proposed shocks indeed lead to a 99.5% VaR, as stated in section SCR.5.87. We therefore reserve ourselves the liberty to comment on this during the QIS. Furthermore, it is not clear what EIOPA intends with the Duration cap. Does this mean that a duration equal to duration cap should be assumed in case of a higher duration, or that the calculation is not allowed for higher duration bonds? In the latter, please specify what the calculation should be. In addition, as in section SCR.5.94, the factors for government bonds are given, please refer to 'corporate bonds' here, instead of simply 'bonds'. It is questionable why companies – with a same credit rating – are assumed to be more risky than governments with the same credit rating agencies.	
SCR.5.89.		
SCR.5.90.		
SCR.5.91.		
SCR.5.92.		

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SCR.5.93.	It is remarkable that no capital requirement should apply to borrowings by or demonstrably guaranteed by national government of an EEA state.	
SCR.5.94.	In SCR.5.93, reference is made to bonds issued by the European Central Bank only, while reference is made here to 'Central banks' in plural. Are national central banks also comprised or not?	
SCR.5.95.	For the purpose of this QIS, it is not appropriate to ask IORPs to disclose their full and actual positions.	
SCR.5.96.	In general, the level of detail in the next sections on spread risk for structured products is undesirable for the purpose of this QIS	
SCR.5.97.	The formula is not complete. What does the formula result in?	
SCR.5.98.		
SCR.5.99.	The formula is not complete. What does the formula result in?	
SCR.5.100.		
SCR.5.101.		
SCR.5.102.		
SCR.5.103.		
SCR.5.104.		
SCR.5.105.		
SCR.5.106.		
SCR.5.107.		
SCR.5.108.	The formula refers to F^{up} , while the explanation refers to F^{up} . Which one should be used? Furthermore, F^{up} has been defined twice, both in section SCR.5.88 and in SCR.5.94. It is not clear which one to use. More precision in the definition is needed here.	
SCR.5.109.	In general, for the purpose of this QIS, the section on concentration risk is far too detailed. The purpose of this QIS should be to gain insight in the working of the Holistic Balance Sheet and not to provide a calculation as detailed as possible on all sorts of risks.	
SCR.5.110.		
SCR.5.111.		

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SCR.5.112.		
SCR.5.113.		
SCR.5.114.		
SCR.5.115.		
SCR.5.116.		
SCR.5.117.		
SCR.5.118.		
SCR.5.119.		
SCR.5.120.		
SCR.5.121.		
SCR.5.122.		
SCR.5.123.		
SCR.5.124.	It is not clear what the last sentence means. Does EIOPA mean to say that government bonds should be included in the calculation of 'total assets'?	
SCR.5.125.		
SCR.5.126.		
SCR.5.127.		
SCR.5.128.		
SCR.5.129.	In SCR.5.128, reference is made to bonds issued by the European Central Bank only, while reference is made here to 'Central banks' in plural. Are national central banks also comprised or not?	
SCR.5.130.		
SCR.5.131.		
SCR.6.1.	In general, most of the proposed calculations are difficult to follow for the staff of an average IORP. Most of the text is taken straight from Solvency II where involvement in this type of calculation has been built up over years. For IORPs, there currently is no capital requirement for counterparty default risk that is calculated in such a detailed way as is the case under Solvency II. Given the purpose of this QIS, it is advisable to simplify substantially or remove this	

	<p align="center">Comments Template on CP-12-003 – Draft Technical Specifications QIS IORP II</p>	<p align="center">Deadline 31 July 2012 18:00 CET</p>
	<p>entire section. This subparagraph is very extensive and complex. There could be more simplifications, especially for the purpose of this QIS. Furthermore, the sponsor default risk could be a separate module, given the importance of the sponsor support in the HBS.</p>	
SCR.6.2.	<p>It is unclear how the SCR for sponsor support should be calculated for multi-employer plans or for multinationals.</p>	
SCR.6.3.		
SCR.6.4.		
SCR.6.5.		
SCR.6.6.		
SCR.6.7.		
SCR.6.8.		
SCR.6.9.		
SCR.6.10.		
SCR.6.11.		
SCR.6.12.		
SCR.6.13.		
SCR.6.14.	<p>In general, IORPs will not be familiar with calculations involving loss distribution functions. The specifications laid out in this section will be hard if not impossible to set up for IORPs given their little or no experience in this respect.</p>	
SCR.6.15.	<p>See our comment on section SCR.6.14 Also, IORPs will most likely be unfamiliar with the terms, meaning and calculation of V_{inter} and V_{intra}.</p>	
SCR.6.16.		
SCR.6.17.	<p>In comparison to most insurance companies, most IORPs are unrated. The default probability PDi for the sponsor of the IORP will therefore be overestimated. It is also not clear how a multi-employer plan should be rated.</p>	
SCR.6.18.		
SCR.6.19.		

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SCR.6.20.		
SCR.6.21.		
SCR.6.22.		
SCR.6.23.		
SCR.6.24.		
SCR.6.25.		
SCR.6.26.		
SCR.6.27.		
SCR.6.28.		
SCR.6.29.		
SCR.6.30.		
SCR.6.31.		
SCR.6.32.		
SCR.7.1.		
SCR.7.2.		
SCR.7.3.		
SCR.7.4.	If IORPs should incorporate a risk margin into their technical provisions for adverse assumptions, risks with respect to pension liabilities will be double counted. However, we reject the proposal of including a risk margin into the technical provisions in order to create a safety net for the wrong assumptions. This should be done in the SCR. Including uncertainty into the technical provisions themselves leads to the risk of piling up prudence on prudence.	
SCR.7.5.	Again, please also allow for an integral calculation of the loss absorbing capacity if both security mechanisms and technical provisions.	
SCR.7.6.		
SCR.7.7.	The index 'x' is redundant and leads to confusion.	
SCR.7.8.		
SCR.7.9.		

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SCR.7.10.		
SCR.7.11.		
SCR.7.12.		
SCR.7.13.		
SCR.7.14.		
SCR.7.15.	The fact that no input is required to calculate the capital requirement for mortality risk seems strange. If EIOPA means that no input is required, because all required information is already available from previous sections, it would be advisable to state so.	
SCR.7.16.		
SCR.7.17.		
SCR.7.18.		
SCR.7.19.		
SCR.7.20.		
SCR.7.21.		
SCR.7.22.		
SCR.7.23.		
SCR.7.24.		
SCR.7.25.		
SCR.7.26.		
SCR.7.27.		
SCR.7.28.		
SCR.7.29.	In SCR.1.11, EIOPA states that all parameters and shocks are calibrated to yield a 99.5% VaR. Given the fact that mortality and longevity are complementary risks, it cannot be compatible that for mortality risk, as stated in SCR.7.17, this calibration yields a shock of 15% and for longevity this same calibration yields 20%. This is especially strange since EIOPA asks IORPs in HBS.4.2 to take into account any foreseeable trend in longevity. Given the fact that this trend is taken into account, deviation around this trend should be symmetric. The assumed stress scenario is very	

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	huge and unrealistic.	
SCR.7.30.		
SCR.7.31.		
SCR.7.32.		
SCR.7.33.		
SCR.7.34.		
SCR.7.35.		
SCR.7.36.		
SCR.7.37.		
SCR.7.38.		
SCR.7.39.		
SCR.7.40.		
SCR.7.41.		
SCR.7.42.		
SCR.7.43.		
SCR.7.44.	This risk is not relevant for Dutch IORPs.	
SCR.7.45.		
SCR.7.46.		
SCR.7.47.		
SCR.7.48.		
SCR.7.49.		
SCR.7.50.		
SCR.7.51.		
SCR.7.52.		
SCR.7.53.		
SCR.7.54.		

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SCR.7.55.		
SCR.7.56.		
SCR.7.57.		
SCR.7.58.		
SCR.7.59.		
SCR.7.60.		
SCR.7.61.		
SCR.7.62.		
SCR.7.63.		
SCR.7.64.		
SCR.7.65.		
SCR.7.66.		
SCR.7.67.		
SCR.7.68.		
SCR.7.69.		
SCR.7.70.		
SCR.7.71.		
SCR.7.72.		
SCR.7.73.		
SCR.7.74.		
SCR.7.75.		
SCR.7.76.		
SCR.7.77.	This risk will not be material for IORPs. For the purpose of this QIS, this risk category should not be taken into account. Somewhat undiplomatically formulated: a catastrophe will be good for the financial position of IORPs (i.e. decreasing value of liabilities).	
SCR.7.78.		

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SCR.7.79.		
SCR.7.80.		
SCR.7.81.		
SCR.7.82.		
SCR.7.83.		
SCR.7.84.		
SCR.7.85.		
SCR.7.86.		
SCR.7.87.		
SCR.8.1.	This risk will not be material for IORPs. For the purpose of this QIS, this risk category should not be taken into account.	
SCR.8.2.		
SCR.8.3.		
SCR.8.4.		
SCR.8.5.		
SCR.8.6.		
SCR.8.7.		
SCR.9.1.		
SCR.9.2.		
SCR.9.3.		
SCR.9.4.		
SCR.9.5.		
SCR.9.6.		
SCR.9.7.		
SCR.9.8.		
SCR.9.9.		
SCR.9.10.		

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SCR.9.11.		
SCR.9.12.		
SCR.9.13.		
SCR.9.14.		
SCR.9.15.		
SCR.9.16.		
SCR.9.17.	More information about the definition how to determine the absence of liquidity will be necessary.	
SCR.9.18.		
SCR.9.19.		
SCR.9.20.		
SCR.9.21.		
SCR.9.22.		
SCR.9.23.		
SCR.9.24.		
SCR.9.25.		
SCR.9.26.		
SCR.9.27.		
SCR.9.28.		
SCR.9.29.		
SCR.9.30.		
SCR.9.31.		
SCR.9.32.		
SCR.9.33.		
SCR.9.34.		
SCR.10.1.		
SCR.10.2.		

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SCR.10.3.		
SCR.10.4.		
SCR.10.5.		
SCR.10.6.		
SCR.10.7.		
SCR.10.8.		
SCR.10.9.		
SCR.10.10.		
SCR.10.11.		
MCR.1.1.	The use under a prudential framework of the MCR is not clear yet. Therefore, we cannot answer the questions if the prescribed calculation of a MCR is appropriate.	
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.		
PRO.2.3.		
PRO.2.4.		
PRO.2.5.		
PRO.2.6.		

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PRO.3.1.		
PRO.3.2.		
PRO.3.3.		
PRO.3.4.		
PRO.3.5.		
PRO.3.6.		
PRO.3.7.		
PRO.3.8.		
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.		
PRO.3.20.		
PRO.3.21.		
PRO.3.22.		
PRO.3.23.		
PRO.3.24.		
PRO.3.25.		
PRO.3.26.		

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PRO.3.27.		
PRO.3.28.		
PRO.4.1.		
PRO.4.2.		
PRO.4.3.		
PRO.4.4.		
PRO.4.5.		
PRO.4.6.		
PRO.4.7.		
PRO.4.8.		
PRO.4.9.		
PRO.4.10.		
PRO.4.11.		
PRO.4.12.		
PRO.4.13.		
PRO.4.14.		
PRO.4.15.		
PRO.4.16.		
PRO.4.17.		