

**Resolutions on Comments on Consultation Paper on Further Work on Solvency of IORPs
EIOPA-CP-14/040**

**EIOPA-BoS-
15/095**

Q1 – Q35

11 May 2015

EIOPA would like to thank OPSG (EIOPA Occupational Pensions Stakeholder Group), Assuralia Belgium, 100 Group of Finance Directors, aba (Arbeitsgemeinschaft für betriebliche Altersversorgung e.V), ACA, Actuarial Association of Europe, AEIP, AGV Chemie, ALSTOM, Aon Hewitt, Association of Pension Lawyers, Atradius Credit Insurance NV, BAPI, Barnett Waddingham LLP, BASF SE, BAVC, BDA, Better Finance, British Telecommunications plc, BT Pension Scheme, Candriam, CEEMET, CEEP, CIPD, Compass Group PLC, D & L Scott, EAPSPI, EEF, EVCA, Eversheds LLP, Evonik Industries AG, FFSA, FSUG, FVPK, GDFSUEZ, GDV, GE, GE Pension Trustees Limited, GESAMTMETALL, Heathrow Airport Limited, Hoechst-Gruppe VVaG (Pensionskasse der Mitarbeiter), IFoA, IVS, Jane Marshall Consulting, Lane Clark & Peacock LLP, Lincoln Pensions Limited, NAPF, Nematrian, Otto Group, Pensioenfederatie, Pension Protection Fund, PensionsEurope, PERNOD-RICARD, PricewaterhouseCoopers, PSVaG, Punter Southall, RPTCL, Siemens Pensionsfonds, Society of Pension Professionals, SUEDWESTMETALL, Towers Watson, United Utilities Group, USS Limited, vbm and ZVK-Bau

No.	Name	Reference	Comment	Resolution
77.	OPSG	Q1	Contract is not an adequate description for IORPs. There is not, in general, a legal “contract” between a member or beneficiary of an IORP and the IORP itself, nor in trust based jurisdictions, between the trustees and fiduciaries of the IORP and the members and beneficiaries: an employee of a company is required to, or has the right to, become a member of an IORP sponsored by that company as a consequence of either an individual or collective contractual agreement with their employer. In some jurisdictions that contractual right is then expressed as subject to the rules of the IORP, and the contract therefore includes a right to terminate or amend the benefit promise. In a trust based jurisdiction the trust deed and rules rather than the contract will establish the employee’s entitlement if he or she	Agreed. Text revised as follows: The term “contract boundaries” was replaced by the term “Benefits and contributions to be included in cash flows”.

			joins the IORP, and the entitlement is enforceable against the trust and not necessarily against the employer. Accordingly, the OPSG does not think that the word "contract" is adequate or appropriate in the context of an IORP.	
78.	100 Group of Finance Directors	Q1	<p>Q1: Do stakeholders think that the word "contract" is an adequate description of the characteristics of the set of rules and arrangements governing the provision of benefits to members and beneficiaries by an IORP?</p> <p>The 100 Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</p> <p>'Contract' is not an appropriate term to describe the arrangements under which pensions are provided by employers to their former employees (and reflects the fact that the terminology for the holistic balance sheet has been adopted from an insurance context in which policyholders are in a contractual relationship with the insurance company). It should be replaced with a term that recognises that pension schemes are not, in general, contracts.</p>	<p>Noted.</p> <p>Agreed. Text revised as follows: The term "contract boundaries" was replaced by the term "Benefits and contributions to be included in cash flows".</p>
82.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q1	No. Some of the shortcomings are explained in section 4.16. In addition, there is typically no direct "contract" between the IORP and the member, as is typically the case for an insurance contract. The legal relationship may be indirect though, for example, it may be an agreement between the sponsor and the IORP or the employer and	Agreed. Text revised as follows: The term "contract boundaries" was replaced by the

			<p>the member. See also EIOPA's own "Mapping Exercise" under section 5.3. We understand that the issue of defining contract boundaries under Solvency II has been fraught with difficulties and has still not been finalized after many years of deliberations. We believe that these difficulties and potential for misunderstandings should not be transferred to IORPs.</p> <p>Starting with the premise that IORPs are not insurers, in particular they are not financial institutions, we suggest deriving the definition as to what benefits and contributions are to be included in the valuation of the TPs from first principles that are appropriate for IORPs. We would therefore suggest use a term such as "Boundaries of obligations and contributions" rather than "contract boundaries". We think it is important to use a different name not only because of the reasons given in the consultation itself but also because of the fundamentally different nature of, for example, employer-own IORPs and insurers.</p>	term "Benefits and contributions to be included in cash flows".
84.	ACA	Q1	<p>The use of the term "contract" in the context of IORPs in the UK could be misleading. One option would be to define the term to clarify that it encompasses all the legal documentation governing the provision of benefits under the IORP, whether this takes the form of a contract, trust deed, plan rules etc</p>	<p>Partially agreed. Text revised as follows: The term "contract boundaries" was replaced by the term "Benefits and contributions to be included in cash flows".</p>
85.	Actuarial Association of Europe	Q1	<p>No. Some of the shortcomings are explained in section 4.16. In addition, there is typically no direct "contract" between the IORP and</p>	<p>Partially agreed. Text revised as</p>

			<p>the member, as is typically the case for an insurance contract. The legal relationship may be indirect though, for example, it may be an agreement between the sponsor and the IORP or the employer and the member. See also EIOPA's own "Mapping Exercise" under section 5.3.</p> <p>Starting with the premise that IORPs are not insurers, i.e. at most only secondarily financial institutions, we suggest deriving the definition as to what benefits and contributions are to be included in the valuation of the TPs from first principles that are appropriate for IORPs. One could</p> <p>start from the point of view of the member and ask:</p> <ul style="list-style-type: none"> - Acquired / Vested rights : What amount of rights have I acquired as at today ? Are these rights funded? - Future rights: In the future, will I continue to acquire rights under the same conditions? Will my IORP continue to receive my contributions (and/or those of my employer) and granting me rights at the same conditions that currently? Is my IORP committed toward me for a limited time only?. <p>We would suggest the use of a term such as "Boundaries of obligations and contributions" rather than "Contract boundaries". We think it is important to use a different name not least because of the different nature of single - employer IORPs and insurers.</p>	<p>follows: The term "contract boundaries" was replaced by the term "Benefits and contributions to be included in cash flows".</p>
86.	AEIP	Q1	<p>No, AEIP believes that the word contract is not an adequate description of the characteristics of the set of rules and arrangements governing the provision of benefits to members and beneficiaries.</p> <p>Moreover, there might be more than one agreement or single</p>	<p>Agreed. Text revised as follows: The term "contract boundaries" was replaced by the</p>

			document regulating the whole pension promise and management. As such, we do not believe the word "contract" is appropriate.	term "Benefits and contributions to be included in cash flows".
87.	AGV Chemie	Q1	No. There is a triangle relationship between employer, employee and IORP which is not covered adequately by "contract" between IORP and employee. In addition, between employee and employer there is a special employment relationship.	Agreed. Text revised as follows: The term "contract boundaries" was replaced by the term "Benefits and contributions to be included in cash flows".
88.	Aon Hewitt	Q1	<p>The use of the phrase 'contract boundaries' is unsuitable for most of the defined benefit IORPs of the EEA. The phrase has its origins in the insurance industry, and does not reflect the nature of the agreements made between employers, employees and the corresponding IORP. It also does not take account of, in many cases, a sponsor's ability to terminate or change future accrual.</p> <p>Rather than start with insurance language, we suggest EIOPA considers the wording and techniques used undercurrent methods of prudential regulation and by the IFRS in IAS19. Employers, IORPS, actuaries and investors are very familiar with the wording used in these areas, and employers are likely to be more supportive of terms and methods if these are the same as used in accounting standards. These include use of the terms Accrued Benefits, Defined Benefit Obligation, Service Cost and Future Benefit Accrual, as well as methods for the attribution of benefits to different periods of service, and the treatment of a "constructive" obligation.</p>	Partially agreed. Text revised as follows: The term "contract boundaries" was replaced by the term "Benefits and contributions to be included in cash flows".

			<p>The treatment of benefits for past and future service should be dealt with separately and in a transparent way. Including future service benefits in technical provisions (and contributions to cover future service benefits in sponsor support) would, in most cases, be inappropriate and inconsistent with the way that provisions are calculated under IAS19.</p> <p>Aon Hewitt suggested looking at IAS19 terminology in previous EIOPA consultation responses. Although EIOPA noted our comments, we encourage EIOPA to consider this in more detail, and provide its reasoning as to whether it is suitable or not.</p>	
89.	Association of Pension Lawyers	Q1	<p>No. Rights under UK trust-based IORPs may stem from a contract (namely, the contract of employment) but they are defined by a mix of contract law, trust law, employment legislation and pensions legislation.</p>	<p>Agreed. Text revised as follows: The term “contract boundaries” was replaced by the term “Benefits and contributions to be included in cash flows”.</p>
90.	BAPI	Q1	<p>Q1: Do stakeholders think that the word “contract” is an adequate description of the characteristics of the set of rules and arrangements governing the provision of benefits to members and beneficiaries by an IORP?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization</p>	<p>Noted.</p>

		<p>based on general principles focusing on engagements taken and risks borne by the IORP. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>No. In Belgium we clearly have different type of contracts which make the pension promise happen. The main set of rules and arrangements governing the provision of benefits to members and beneficiaries is a combination of the pension promise, the management agreement and the financing plan.</p> <p>The pension promise is defined by social partners and will define the benefits to members and beneficiaries. National social and labour legislation rules the pension promise and stipulates that the ultimate liability for the funding of the pension promise stays with the sponsoring undertaking.</p> <p>The management agreement and financing plan are agreements between the sponsor and the IORP about the implementation/organization of the pension promise as a whole or</p>	<p>Agreed. Text revised as follows: The term "contract boundaries" was replaced by the term "Benefits and contributions to be included in cash flows".</p>
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			<p>only part of it.</p> <p>The „management agreement” is a contract defining the relation between the IORP and the sponsoring undertaking and specifies the sponsor has to pay the required contributions, the IORP invests the money and executes the pension scheme by paying benefits, organizing the benefit communication, making the reporting to the national supervisory authorities, etc.... .</p> <p>An IORP can unilaterally end the management agreement but has no competence at all to amend or end the pension promise.</p> <p>Belgian IORPs have a best effort engagement only, as such there is no risk transfer from the sponsoring undertaking to the IORP and no own capital requirements in the IORP vehicle.</p> <p>The word contract as suggested by EIOPA is not appropriate, as a) it does not make a distinction between the pension promise and the management agreement and b) it does not reflect the best effort engagement of Belgian IORPs.</p> <p>Please bear in mind that some pension promise arrangements are organized by more than one pension vehicle e.g. a defined benefit plan with employee contributions, where the latter are organized via a group insurance contract although the employer works with an IORP. We believe the holistic balance should only address those liabilities which are organized by the IORP. As such the specifications of the term “contract” should be clear.</p>	
91.	Barnett Waddingham LLP	Q1	<p>The word “contract” does not adequately reflect the UK position whereby benefits are provided through a trust separate to the employment relationship. We would urge EIOPA not to copy terminology for Solvency II as this will not be well understood by</p>	<p>Agreed. Text revised as follows: The term “contract boundaries” was</p>

			IORPs.	replaced by the term "Benefits and contributions to be included in cash flows".
92.	BASF SE	Q1	No. There is a triangle relationship between employer, employee and IORP which is not covered adequately by "contract" between IORP and employee. In addition, between employee and employer there is the special employment relationship.	Agreed. Text revised as follows: The term "contract boundaries" was replaced by the term "Benefits and contributions to be included in cash flows".
93.	BDA	Q1	No. There is a triangle relationship between employer, employee and IORP which is not covered adequately by "contract" between IORP and employee. In addition, between employee and employer there is a special employment relationship.	Agreed. Text revised as follows: The term "contract boundaries" was replaced by the term "Benefits and contributions to be included in cash flows".
94.	Better Finance	Q1	The word "contract" can be viewed as appropriate under the condition, that there is a real contract in place in reality. If the membership and thus the obligation of an IORP towards its members and sponsors is based on mutual agreement (social agreement), then Better Finance thinks that using the word "contract" should be well explained to cover all possible alternatives that are used in practice. IORPs usually do not enter into individual contracts with their members but are rather based on collective agreements. Usually the benefits offered	Agreed. Text revised as follows: The term "contract boundaries" was replaced by the term "Benefits and contributions to be included in cash

			(promised) to the members is defined in a pension plan, which is a subordinated document subject to additional changes and modifications during the accumulation phase of particular members, often without the express consent of these members. As the IORP could provide more than one pension plan and therefore "contracts" within one IORP could be different, the word "agreement" (or even "plan") may look more appropriate.	flows".
95.	British Telecommunications plc	Q1	<p>Q1: Do stakeholders think that the word "contract" is an adequate description of the characteristics of the set of rules and arrangements governing the provision of benefits to members and beneficiaries by an IORP?</p> <p>'Contract' is not an appropriate term to describe the arrangements under which pensions are provided by employers to their former employees and beneficiaries (and reflects the fact that the terminology for the holistic balance sheet has been adopted from an insurance context in which policyholders are in a contractual relationship with the insurance company). It should be replaced with a term that recognises that pension schemes are not, in general, contracts.</p>	<p>Agreed. Text revised as follows: The term "contract boundaries" was replaced by the term "Benefits and contributions to be included in cash flows".</p>
96.	Candriam	Q1	<p>Do stakeholders think that the word "contract" is an adequate description of the characteristics of the set of rules and arrangements governing the provision of benefits to members and beneficiaries by an IORP?</p> <p>Although the word contract is not always wrong, we believe it biases the actual nature of the pension agreement between the different stakeholders. In a broad sense, it should be viewed as a "social contract", not a commercial contract, because, importantly, most of</p>	<p>Agreed. Text revised as follows: The term "contract boundaries" was</p>

			times an IORP cannot enroll new members out of an employment relation and the various stakeholders negotiate over time to ensure the scheme evolves properly.	replaced by the term "Benefits and contributions to be included in cash flows".
97.	Compass Group PLC	Q1	<p>Q1: Do stakeholders think that the word "contract" is an adequate description of the characteristics of the set of rules and arrangements governing the provision of benefits to members and beneficiaries by an IORP?</p> <p>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</p> <p>'Contract' is not an appropriate term to describe the arrangements under which pensions are provided by employers to their former employees (and reflects the fact that the terminology for the holistic balance sheet has been adopted from an insurance context in which policyholders are in a contractual relationship with the insurance company). It should be replaced with a term that recognises that pension schemes are not, in general, contracts.</p>	<p>Noted.</p> <p>Agreed. Text revised as follows: The term "contract boundaries" was replaced by the term "Benefits and contributions to be included in cash flows".</p>
98.	D & L Scott	Q1	I do not think the word "contract" is an adequate description of the characteristics of "the set of rules and arrangements governing the provision of benefits".	Agreed. Text revised as follows: The term "contract boundaries" was

			<p>In relation to pensions, an extrinsic contract would generally be a contract between the employer and the employee or member which affects the pension benefits to which the employee is entitled. This agreement will usually be the employment contract or a variation of that contract. Whilst it can deal with any of the provisions of the IORP, it is more likely to confine itself to issues such as normal retirement date, pensionable salary, and breaking the link to final salary.</p> <p>One of the principal difficulties arising from the use of extrinsic contracts is how they are to be enforced by the trustees of the IORP who were not parties to the contract. The other significant problem is the courts' reluctance to step outside the formal governing documents of an IORP when considering its provisions. This is because IORPs are generally long-lived, and it is potentially unfair on the members who will not have easy access to expert legal advice to depart from the terms of the formal governing documents ("the trust deed and rules"). The courts have, therefore taken a strict approach to the formalities for amending IORP trusts and construing any associated documents, including any extrinsic contracts.</p> <p>Going forward, the prudent legal advice to United Kingdom trustees seems to be that a variation of an employment contract (or some other extrinsic contract) is only likely to be effective to alter the provisions of an IORP in so far as it relates to a facet of the benefit structure to which reference must be made outside of the formal governing documents. An example of this is ascertaining a member's salary when calculating the benefit to which she/he is entitled. Another example might be years of pensionable service under a final salary/defined benefits scheme. Again, the trustees would, in any event, have to look outside the terms of the IORP to obtain this figure.</p>	<p>replaced by the term "Benefits and contributions to be included in cash flows".</p> <p>Noted.</p>
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			<p>If advising on the enforceability of extrinsic contracts where there has been a failure to properly amend the terms of the IORP, the first question will be whether the agreement contradicts an express term of the trust deed and rules. As resort will only be had to an extrinsic contract if the IORP has not been amended in accordance with any power of amendment in its governing documents, there will always be such a contradiction unless it relates to matters outside the terms of the IORP documents.</p> <p>If that hurdle can be overcome, it will be necessary to consider the following points:</p> <ul style="list-style-type: none"> <input type="checkbox"/> <input type="checkbox"/> What are the terms of the agreement? <input type="checkbox"/> Has the employer actually made an offer, or merely announced what the employer and the trustees are going to do? <input type="checkbox"/> If the agreement is to be made by reference to some other document, such as an IORP booklet, what does that document say? Does it expressly state that the deed and rules govern the IORP? If so, it will be conclusive. <input type="checkbox"/> Has the member agreed to the offer made by the employer? 	
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			<p>Passive acceptance, without express approval, is unlikely to amount to the acceptance of an offer that has the effect of amending pension benefits which are payable at some point in the future.</p> <p><input type="checkbox"/> Does the agreement fall foul of section 67 of the United Kingdom's Pensions Act 1995? Does it affect subsisting rights, or is there an underpin so as to preserve those rights?</p> <p>Even if an agreement between the employer and the member can be established, there is still the question of whether that agreement is enforceable by the trustees of the IORP. Although the English Law case of South West Trains v Wightman suggests that the trustees can enforce such an agreement, and counsel for the members in another English case, HR Trustees v German, did not take issue with Neuberger J's contractual analysis, there is no binding legal authority to that effect, and the issue is surely still moot.</p>	
99.	EEF	Q1	<p>As the Consultation Paper states (paragraph 4.22) the concept of 'contract boundaries' is often considered to not be suitable for IORPs.</p> <p>Given that the task underpinning collation of the Holistic Balance Sheet is to identify which cash flows (in and out) should be counted in the HBS we do not support the principle of introducing another technical concept on top of cash flows. The proposed approach unnecessarily adds another level of complexity without adding any benefit.</p>	<p>Partially agreed. Text revised as follows: The term "contract boundaries" was replaced by the term "Benefits and contributions to be included in cash flows".</p>
100.	Eversheds LLP	Q1	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p>	<p>Noted.</p>

			<p>We do not think that the concept of 'contract boundaries' works well for IORPs – as the consultation paper comes close to recognising in para 4.22 - given the fundamental differences between insurance contracts and the promises made by IORPs to their members (e.g. the fact that insured liabilities end when the contract comes to an end, whereas the liabilities of IORPs, certainly in the UK, do not come to an end but remain with the IORP until the individual and their survivors die or those liabilities are legally transferred to another undertaking). In light of this, we think that a different expression needs to be used in the context of IORPs.</p>	<p>Agreed. Text revised as follows: The term "contract boundaries" was replaced by the term "Benefits and contributions to be included in cash flows".</p>
101.	Evonik Industries AG	Q1	<p>No. There is a triangle relationship between employer, employee and IORP which is not covered adequately by "contract" between IORP and employee. In addition, between employee and employer there is a special employment relationship.</p>	<p>Agreed. Text revised as follows: The term "contract boundaries" was replaced by the term "Benefits and contributions to be included in cash flows".</p>
102.	FFSA	Q1	<p>Yes. Contract boundaries should be linked to the nature and the term of liabilities.</p>	<p>Partially agreed. Text revised as follows: as the term "contract boundaries" may not be appropriate to all cases, it was replaced by the term "Benefits and contributions to be included in cash</p>

				flows”.
103.	FSUG	Q1	<p>The word “contract” can be viewed as appropriate under the condition, that there is a real contract in place in reality. If the membership and thus the obligation of an IORP towards its members and sponsors is based on mutual agreement (social agreement), then the FSUG thinks that using the word “contract” should be well explained to cover all possible alternatives that are used in practice. IORPs usually do not enter into individual contracts with their members but are rather based on collective agreements. Usually the benefits offered (promised) to the members is defined in a pension plan, which is a subordinated document subject to additional multilateral (unilateral) changes and modifications during the accumulation phase of particular members, often without the express consent of these members. As the IORP could provide more than one pension plan and therefore “contracts” within one IORP could be different, the word “agreement” (or even “plan”) may look more appropriate.</p>	<p>Agreed. Text revised as follows: The term “contract boundaries” was replaced by the term “Benefits and contributions to be included in cash flows”.</p>
104.	FVPK	Q1	<p>Do stakeholders think that the word “contract” is an adequate description of the characteristics of the set of rules and arrangements governing the provision of benefits to members and beneficiaries by an IORP?</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>No, “contract” is not an adequate description. There is a triangular relationship – often collective - between the employer, the employee</p>	<p>Noted.</p> <p>Agreed. Text revised as follows: The term “contract</p>

			<p>and the IORP which is not covered adequately by a “contract” between IORP and employee.</p> <p>Additionally, in Austria many components of the possible optional guarantees are defined by law.</p> <p>On a more general level, we note there is a lack of clarity for the stakeholders as EIOPA seems to focus on the pension promise between the employer and the employee while the IORP Directive focus on the IORP itself, without fully taking in to account the above-mentioned triangular relationship. There is therefore a confusion between the pension-scheme and the IORP.</p>	<p>boundaries” was replaced by the term “Benefits and contributions to be included in cash flows”.</p> <p>Noted.</p>
105.	GDV	Q1	<p>Do stakeholders think that the word “contract” is an adequate description of the characteristics of the set of rules and arrangements governing the provision of benefits to members and beneficiaries by an IORP?</p> <p>It is important that the term “contract” only addresses the activities of the IORP related to the scheme. As regards the entire section on contract boundaries, it is important that the introduced definitions remain consistent with the definitions used for insurance undertakings.</p>	Noted.
107.	Heathrow Airport Limited	Q1	<p>Q1: Do stakeholders think that the word “contract” is an adequate description of the characteristics of the set of rules and arrangements governing the provision of benefits to members and beneficiaries by an IORP?</p>	

			<p>Heathrow Airport is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</p> <p>'Contract' is not an appropriate term to describe the arrangements under which pensions are provided by employers to their former employees (and reflects the fact that the terminology for the holistic balance sheet has been adopted from an insurance context in which policyholders are in a contractual relationship with the insurance company). It should be replaced with a term that recognises that pension schemes are not, in general, contracts.</p>	<p>Noted.</p> <p>Agreed. Text revised as follows: The term "contract boundaries" was replaced by the term "Benefits and contributions to be included in cash flows".</p>
108.	Hoechst-Gruppe VVaG	Q1	<p>No. Some of the shortcomings are explained in section 4.16. In addition, there is typically no direct "contract" between the IORP and the member, as is typically the case for an insurance contract. The legal relationship may be indirect though, for example, it may be an agreement between the sponsor and the IORP or the employer and the member. See also EIOPA's own "Mapping Exercise" under section 5.3. We understand that the issue of defining contract boundaries under Solvency II has been fraught with difficulties and has still not been finalized after many years of deliberations. We believe that these difficulties and potential for misunderstandings should not be transferred to IORPs.</p> <p>Starting with the premise that IORPs are not insurers, in particular</p>	<p>Agreed. Text revised as follows: The term "contract boundaries" was replaced by the term "Benefits and contributions to be included in cash flows".</p>

			they are not financial institutions, we suggest deriving the definition as to what benefits and contributions are to be included in the valuation of the TPs from first principles that are appropriate for IORPs. We would therefore suggest use a term such as "Boundaries of obligations and contributions" rather than "contract boundaries". We think it is important to use a different name not only because of the reasons given in the consultation itself but also because of the fundamentally different nature of, for example, employer-own IORPs and insurers.	
111.	IFoA	Q1	In the context of UK IORPs, the use of the word "contract" would create scope for ambiguity and confusion. "Contract" refers to an insurance contract between an insurance undertaking and a policy holder (4.17). A UK IORP does not necessarily fall within that definition: the difficulty is that, in many cases, the UK retirement benefits are defined in a trust document rather than in a contract. In such instances, the only contract is the employment contract, which sets out the right to belong to the IORP (subject to the usual provisions as to future amendment of the contract) but without describing the benefits to be provided by the IORP. The benefits are defined in the trust document, and are subject to amendment as permitted by the trust document and subject to legislation. Neither the IORP, nor its trustees, are party to the employment contract and the employee is not a party to the trust document.	Agreed. Text revised as follows: The term "contract boundaries" was replaced by the term "Benefits and contributions to be included in cash flows".
114.	IVS	Q1	No. Some of the shortcomings are explained in section 4.16. In addition, there is typically no direct "contract" between the IORP and the member, as is typically the case for an insurance contract. The legal relationship may be indirect though, for example, it may be an agreement between the sponsor and the IORP or the employer and the member. See also EIOPA's own "Mapping Exercise" under section 5.3. We understand that the issue of defining contract boundaries under Solvency II has been fraught with difficulties and has still not	Agreed. Text revised as follows: The term "contract boundaries" was replaced by the term "Benefits and contributions to be included in cash

			<p>been finalized after many years of deliberations. We believe that these difficulties and potential for misunderstandings should not be transferred to IORPs but avoided.</p> <p>Starting with the premise that IORPs are not insurers, i.e. at most only secondarily financial institutions, we suggest deriving the definition as to what benefits and contributions are to be included in the valuation of the TPs from first principles that are appropriate for IORPs. We would therefore suggest use a term such as "Boundaries of obligations and contributions" rather than "contract boundaries". We think it is important to use a different name not only because of the reasons given in the consultation itself but also because of the fundamentally different nature of, for example, single-employer IORPs and insurers.</p>	flows".
115.	Jane Marshall Consulting	Q1	No.	<p>Agreed. Text revised as follows: The term "contract boundaries" was replaced by the term "Benefits and contributions to be included in cash flows".</p>
116.	NAPF	Q1	<p>Q1: Do stakeholders think that the word "contract" is an adequate description of the characteristics of the set of rules and arrangements governing the provision of benefits to members and beneficiaries by an IORP?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and</p>	Noted.

			<p>ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>The concept of ‘contract boundaries’ does not work well for IORPs – as the consultation paper comes close to recognising in para 4.22.</p> <p>It would be preferable to recognise all the legal documentation governing the provision of benefits under the IORP, whether this takes the form of a contract, trust deed or plan rules.</p> <p>EIOPA should recognise that IORPs are social institutions involving employers and employees and founded in social and labour law, rather than financial services products, and require their own, IORP-specific, regulatory regime. Basing pensions regulation on systems developed for financial services products (such as Solvency II) is unlikely to deliver an effective or efficient framework.</p>	<p>Agreed. Text revised as follows: The term “contract boundaries” was replaced by the term “Benefits and contributions to be included in cash flows”.</p> <p>Noted.</p>
119.	Otto Group	Q1	<p>No. There is a triangle relationship between employer, employee and IORP which is not covered adequately by “contract” between IORP and employee. In addition, between employee and employer there is a special employment relationship.</p>	<p>Agreed. Text revised as follows: The term “contract boundaries” was replaced by the term “Benefits and contributions to be</p>

				included in cash flows".
120.	Pensioenfederatie	Q1	<p>As argued in the general remarks, the use of the HBS for capital requirements is conceptually wrong for several fundamental reasons. Firstly, requiring capital for conditional benefits will make them unconditional in practice as extra capital increases their value. This is a clear disincentive to take risk or to offer conditional benefits, especially for relatively rich funds. Secondly, an SCR has no place on the HBS as all benefits and financing methods are included in the HBS. Consequently, for a complete contract the HBS automatically balances, and an SCR would always imply a deficit on the EIOPA Balance Sheet ($EBS = HBS + \text{net SCR}$). Thirdly, as all recovery mechanisms have to be included in order to be able to calculate the HBS, any supervisory response cannot improve the HBS; there is no further recovery possible as the recovery plan is already included in the HBS. Apart from these fundamental problems the HBS is far too complex and subjective to be able to develop into a cost efficient and informative supervisory tool.</p> <p>As argued in the general remarks, the HBS might potentially add value as an instrument for risk management, but other and less costly methods (real world as opposed to risk-neutral simulations) would better achieve this goal. Simplifying methods to calculate the HBS or omitting certain elements on the HBS result in combinations of market-consistent and simplified prices. This however prevents achieving the HBS's objective.</p> <p>As argued in the general remarks, the HBS is not suited as an instrument for transparency in the relationship with participants as the current estimated market price of an option is not informative for them. The option cannot be traded, its price is highly volatile, and its value gives no clear information on the likelihood or size of, for instance, indexation, as option values are determined in the risk-</p>	Noted.

			<p>neutral world whereas participants are only interested in the real world as they live in this world.</p> <p>No, "contract" is not an adequate description. In the Netherlands there is a collective agreement between social partners for many IORPs on contributions and future accrual. Once the contributions and benefits are placed in the IORP, the IORP can terminate the agreement or amend the benefits according to its own rules.</p>	<p>Agreed. Text revised as follows: The term "contract boundaries" was replaced by the term "Benefits and contributions to be included in cash flows".</p>
121.	PensionsEurope	Q1	<p>Do stakeholders think that the word "contract" is an adequate description of the characteristics of the set of rules and arrangements governing the provision of benefits to members and beneficiaries by an IORP?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>No, "contract" is not an adequate description. There is not often a legal contract between the IORP and the members or beneficiaries. The legal relationship may be indirect (it may be for example an agreement between the sponsor and the IORP or the employer and</p>	<p>Noted.</p> <p>Agreed. Text revised as follows: The term "contract</p>

			<p>the member). There is a triangular relationship – often collective – between the employer, the employee and the IORP – often through the involvement of social partners – which is not covered adequately by a “contract” between IORP and employee.</p> <p>As suggested in Point 4.22 of the consultation document, the term cannot ensure that from the perspective of the employees all rules and arrangements regarding their occupational pension are captured because the IORP-member relationship misses the crucial role of the employer. This shows the lack of usefulness of the proposed approach. However, alternative terms do not change this, because IORPs cannot be responsible for rules and arrangements only applying to the relationship between employers and employees.</p> <p>Also, the concept of ‘contract boundaries’ does not work well for IORPs – as the consultation paper comes close to recognising in para 4.22. because ‘contract boundaries’ relate to time, whereas IORPs operate over very long time scales – open-ended in schemes still open to new members, in fact.</p> <p>On a more general level, we note there is a lack of clarity for the stakeholders as EIOPA seems to focus on the pension promise between the employer and the employee while the IORP Directive focus on the IORP itself, without fully taking into account the above-mentioned triangular relationship. There is therefore a confusion between the “scheme” and the “institution”.</p>	<p>boundaries” was replaced by the term “Benefits and contributions to be included in cash flows”.</p> <p>Noted.</p>
122.	Punter Southall	Q1	The term “contract” could be misleading in the UK where it is used more typically in the context of insurance products.	Agreed. Text revised as follows:

				The term "contract boundaries" was replaced by the term "Benefits and contributions to be included in cash flows".
125.	RPTCL	Q1	<p>We do not think that the term 'contract' works particularly well in the context of our IORPs and do not consider it necessary or desirable to use aspects of the framework of Solvency II for insurance. IORPs and insurance companies are very different entities in many member states.</p> <p>The term contract implies that the IORP itself is one of the key parties to the agreement to provide benefits but it is commonly the case that the principal 'agreement' is between the sponsor and the employee, with the IORP acting as a delivery vehicle for the benefits outlined in that agreement, as set out in the IORP's legal documentation.</p>	<p>Agreed. Text revised as follows: The term "contract boundaries" was replaced by the term "Benefits and contributions to be included in cash flows".</p>
126.	Siemens Pensionsfonds	Q1	No. There is a triangle relationship between employer, employee and IORP which is not covered adequately by "contract" between IORP and employee. In addition, between employee and employer there is a special employment relationship.	<p>Agreed. Text revised as follows: The term "contract boundaries" was replaced by the term "Benefits and contributions to be included in cash flows".</p>
127.	Society of Pension Professionals	Q1	<p>Contract boundaries</p> <p>Do stakeholders think that the word "contract" is an adequate description of the characteristics of the set of rules and arrangements</p>	

			<p>governing the provision of benefits to members and beneficiaries by an IORP?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>The use of the term “contract” in the context of IORPs in the UK could be misleading and is an example of why copying from the Solvency provisions designed for insurers is not appropriate. One option would be to define the term to clarify that it encompasses all the legal documentation governing the provision of benefits under the IORP, whether this takes the form of a contract, trust deed, plan rules etc</p>	<p>Noted.</p> <p>Partially agreed. Text revised as follows: The term “contract boundaries” was replaced by the term “Benefits and contributions to be included in cash flows”.</p>
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129.	Towers Watson	Q1	<p>Contract boundaries</p> <p>Do stakeholders think that the word “contract” is an adequate description of the characteristics of the set of rules and arrangements governing the provision of benefits to members and beneficiaries by an IORP?</p> <p>This term exemplifies why Solvency II is an inappropriate starting point for IORPs in most Member States. It is potentially misleading as the governing relationship does not need to take the form of a contract. Moreover, that relationship may be an agreement between the sponsor and the IORP or the employer and the member. Within the UK, whatever expression is used should encompass all the legal documentation governing the provision of benefits under the IORP. We are aware, however, that the term ‘contract’ is quite common in the Netherlands, albeit read in a more ‘abstract’ sense than suggested.</p>	<p>Partially agreed. Text revised as follows: The term “contract boundaries” was replaced by the term “Benefits and contributions to be included in cash flows”.</p>
130.	United Utilities Group	Q1	<p>Q1: Do stakeholders think that the word “contract” is an adequate description of the characteristics of the set of rules and arrangements governing the provision of benefits to members and beneficiaries by an IORP?</p> <p>‘Contract’ is not an appropriate term to describe the arrangements under which pensions are provided by employers to former employees (and reflects the fact that the terminology for the holistic balance sheet has been adopted from an insurance context in which policyholders are in a contractual relationship with the insurance company). It should be replaced with a term that recognises that pension schemes are not, in general, contracts.</p>	<p>Agreed. Text revised as follows: The term “contract boundaries” was replaced by the term “Benefits and contributions to be included in cash flows”.</p>
131.	ZVK-Bau	Q1	No. We think the triangular relationship between employer, employee	Agreed. Text

			and IORP prohibits the use of the word “contract”. This is especially the case of IORPs where the member has no individual choice to join but is enrolled automatically when joining the sponsoring company or one of the sponsoring companies in case of industry-wide-pension funds.	revised as follows: The term “contract boundaries” was replaced by the term “Benefits and contributions to be included in cash flows”.
132.	Assuralia Belgium		Disclosure of comments:	
133.	OPSG	Q2	The term “contract boundary” has been taken from Solvency II for (re)insurance undertakings, and the reason for its use in this context has been clearly explained in 4.13 to 4.20. An IORP takes on additional risks as members accrue additional benefits and does not usually have the unilateral right to terminate the accrual of benefits or the payment of contributions to finance those benefits. However, where the financing of those future benefits is subject to ongoing review, so that the additional risks to be taken on will be met by the contributions to be received, or alternatively the sponsoring employer can exercise its right to terminate accrual of benefits (having where appropriate consulted and agreed with employees/employee representatives), there is no need to calculate technical provisions in respect of these future benefits as such technical provisions would be fully covered by the contributions receivable. Technical provisions should be established in respect of benefits accrued up to the current date, and in some jurisdictions there is also legal and statutory protection in place for benefits accrued up to the current date, which might therefore be considered the “boundary”. However, the OPSG does not consider this term to be meaningful in this context.	Noted.
137.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q2	Yes.	Noted.

139.	ACA	Q2	A more usual term in the context of UK IORPs would be “accrued benefits” or “accrued liabilities” which refers to those benefit entitlements earned by members under the governing documentation of the plan up until the date of the valuation of the benefits / liabilities.	Noted.
140.	Actuarial Association of Europe	Q2	Yes	Noted.
141.	AEIP	Q2	<p>AEIP does not believe that the HBS might serve as an adequate tool for prudential supervision.</p> <p>It should neither be used for capital requirements nor as an information tool towards scheme members. If any concrete use for the HBS should be sought, the HBS could possibly have a limited value as a risk management tool. However, it is still too complex for small and medium sized IORPs, and there are less complex (and more efficient) methods that might be used.</p> <p>AEIP answered all questions of the consultation despite of these doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>Yes, the word “boundary” might be considered as appropriate, even though it should be completed by mentioning the triangular relationship among the employee, the employer and the institution.</p>	Noted.
142.	AGV Chemie	Q2	Yes	Noted.
143.	Aon Hewitt	Q2	We refer to the general principles in our response to Q1.	Noted.
144.	Association of Pension Lawyers	Q2	No. This appears to be an arbitrary term taken from an entirely separate regulatory framework and consequently it has no relevance	Noted.

			to IORPs.	
145.	BAPI	Q2	<p>Q2: Do stakeholders think that the word “boundary” is suitable here?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI’s view, BAPI answers EIOPA’s questions in order to provide constructive input for EIOPA’s further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>As boundary seems to be defined as a moment in time, it is not totally clear what happens if that moment is not predefined. If the IORP has the right to end the management agreement, even if that moment is still undefined, this should be understood as a boundary as well.</p>	Noted.
146.	Barnett Waddingham LLP	Q2	We would urge EIOPA not to copy terminology from Solvency II as this will not be well understood by IORPs.	Noted.
147.	BDA	Q2	Yes	Noted.
148.	Compass Group PLC	Q2	Q2: Do stakeholders think that the word “boundary” is suitable here?	
149.	D & L Scott	Q2	The objective of the insurance principle of “contract boundaries” is to	Noted.

			<p>determine when an existing contract ends and a new contract begins. Once that boundary has been determined the expected value of all the cash flows falling within the existing contract should be included in the measurement of the liability. These cash flow estimates are based on the best expectation in respect of both amount and timing.</p> <p>The contract boundary uses the following criteria:</p> <p>The boundary of a given contract is defined by the cash in-flows that are expected to fall within the contract's term. For these purposes the term of a contract is the shorter of the contract's life and the point, if any, at which the policy can be freely re-priced by the insurer at the individual policyholder level (i.e. up until the point at which the insurer has the ability both to reassess the risk profile of the individual policyholder and change the price for an individual without contractual constraint).</p> <p>Once the contract boundary has been established then the measurement of the insurance liability should take into account the expected value of the cash in-flows to be received within the contract's term. The claims and costs associated with the contract as defined should also</p>	
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			<p>be reflected in the liability valuation on an expected value basis.</p> <p>Funding of trust-based IORPs is not based on “best expectation” but rather “prudent estimation”.</p> <p>Cash out-flows are estimated by actuarial advisers. Other out-flows, such as IORP operating costs and levies payable to support regulated “lifeboat” arrangements, like the United Kingdom’s Pension Protection Fund, can be estimated by actuarial or other advisers.</p> <p>Cash in-flows, however, are a combination of investment income and other realised investment returns from investing sponsor and/or member contributions. Their estimation should not be left with actuarial advisers alone, or even with the investment consulting arms of actuarial firms. The views of investment managers should be taken properly into account.</p> <p>Trustees are expected to hold sufficient funds to pay benefits as they fall due and to that extent have to balance current and foreseeable income requirements with capital preservation and prudent realisable capital growth to fund future benefit payments.</p> <p>Unfortunately the end of the last century and the initial years of this century have witnessed a weakening of the necessary distinction between capital and income, in the rush to move away from a list-based approach to authorised IORP investments and towards the application to IORPs of so-called modern portfolio investment theory.</p>	
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150.	EEF	Q2	No. See our response to Q1.	Noted.
151.	Eversheds LLP	Q2	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>No. The concept of ‘contract boundaries’ does not work well for IORPs – as the consultation paper comes close to recognising in para 4.22 - given the fundamental differences between insurance contracts and the promises made by IORPs to their members (e.g. the fact that insured liabilities end when the contract comes to an end, whereas the liabilities of IORPs, certainly in the UK, do not come to an end but remain with the IORP until the individual and their survivors die or those liabilities are legally transferred to another undertaking). In light of this, we think that a different expression needs to be used in the context of IORPs.</p>	<p>Noted.</p> <p>See comment no. 100.</p>
152.	Evonik Industries AG	Q2	Yes	Noted.
153.	FFSA	Q2	Yes.	Noted.
154.	FVPK	Q2	<p>Do stakeholders think that the word “boundary” is suitable here?</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p>	Noted.

			Yes, the word "boundary" could be used. However we do not consider this term to be the most appropriate in this context.	
155.	GDV	Q2	Do stakeholders think that the word "boundary" is suitable here? It is important that the term "contract" only addresses the activities of the IORP related to the scheme.	Noted.
157.	Heathrow Airport Limited	Q2	Q2: Do stakeholders think that the word "boundary" is suitable here?	
158.	Hoechst-Gruppe VVaG	Q2	Yes.	Noted.
159.	Hoechst-Gruppe VVaG		Disclosure of comments:	
160.	Hoechst-Gruppe VVaG Pensionskasse der Mitarbeiter		Disclosure of comments:	
161.	IFoA	Q2	The volume of technical language and jargon in the retirement benefits industry can be a barrier to understanding for beneficiary and lay trustees. Our position is that, as far as possible policy makers and regulators should avoid introducing further jargon if this risks increasing the complexity for those who are not part of the industry. The IFoA would question the use of SII terminology in this context; instead, we would urge EIOPA to adopt language that is relevant and directly applicable to the practical operation of IORPs. Were EIOPA to make the decision to adopt the word "boundary", we	Noted.

			note that its usage in 4.14 TP2.16 depends on the existence of the insurance undertaking and a contract; with this in mind, it would likely require a careful redefinition before it could be used in the context of IORPs.	
162.	IVS		Disclosure of comments:	
163.	IVS		Disclosure of comments:	
164.	IVS	Q2	Yes.	Noted.
165.	Jane Marshall Consulting	Q2	No.	Noted.
166.	NAPF	Q2	<p>Q2: Do stakeholders think that the word “boundary” is suitable here?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>No. As discussed in answer to Q.1 above, the concept of ‘contract boundaries’ does not work well for IORPs – as the consultation paper comes close to recognising in para 4.22.</p>	<p>Noted.</p> <p>See comment no. 116.</p>
169.	Otto Group	Q2	Yes	Noted.
170.	Pensioenfederatie	Q2	We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes in the relationship with participants. The HBS could possibly	Noted.

			<p>have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>Yes, the word "boundary" could be suitable. However we would prefer to use the word "scope".</p>	
171.	PensionsEurope	Q2	<p>Do stakeholders think that the word "boundary" is suitable here?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>Yes, the word "boundary" could be used. However we do not consider this term to be the most appropriate in this context. The word "scope" could be used.</p>	Noted.
174.	RPTCL	Q2	<p>We do not think that the term 'boundary' works particularly well as the scope of benefits which may need to be covered by technical provisions will be variable by time, whereas the term 'boundary' implies something less flexible.</p>	Noted.

			As with our answer to question 1, we do not consider it necessary or desirable to use aspects of the framework of Solvency II for insurance. IORPs and insurance companies are very different entities in many member states.	
175.	Siemens Pensionsfonds	Q2	Yes	Noted.
176.	Society of Pension Professionals	Q2	<p>Do stakeholders think that the word “boundary” is suitable here?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>A more usual term in the context of UK IORPs would be “accrued benefits” or “accrued liabilities” which refers to those benefit entitlements earned by members under the governing documentation</p>	Noted.

			of the plan up until the date of the valuation of the benefits / liabilities.	
177.	Towers Watson	Q2	Do stakeholders think that the word "boundary" is suitable here? The term "boundary" is equally alien for IORPs as the term "contract". A more familiar term within the UK would be "accrued benefits" or "accrued liabilities".	Noted.
178.	United Utilities Group	Q2	Q2: Do stakeholders think that the word "boundary" is suitable here?	
179.	ZVK-Bau	Q2	No. In the case of relationships based on social contracts negotiated by social partners any "boundaries" are regularly negotiable not only for future service but even for past service. Therefore they are not as binding as insurance contracts. Limits are set by social and labour law mostly. They are interpreted by court decisions. Concerning "cash flows to be recognized in technical provisions" the much broader possibilities of social contracts should be recognizable.	Noted.
180.	OPSG	Q3	The OPSG suggests that the Directive requires that technical provisions be established for benefits accrued up to the date of the holistic balance sheet (HBS), but not after that date, except where no party has the unilateral right either to terminate the accrual of benefits or to adjust the level of contributions paid into the future. The legal protection given to the accrued rights of members is often determined by reference to benefits earned before the date of any proposed change or termination, and so it should not be assumed that rights to accrual of benefits and payment of contributions continue on the basis applicable as at that date. In cases where no party has the right to adjust future contributions, technical provisions should be established in respect of all benefits due to be accrued by existing members up to their expected retirement date, and the present value of future contributions due over that period should be accounted for as an asset in the HBS.	Noted.
181.	aba	Q3	Maybe "Boundaries of agreements" could describe reality better. See	Noted.

	Arbeitsgemeinschaft für betriebliche Altersve		<p>our answer to Q1.</p> <p>The answer to Q1 was:</p> <p>There is typically no direct “contract” between the IORP and the member, as is typically the case for an insurance contract. The legal relationship may be indirect though, for example, it may be an agreement between the sponsor and the IORP or the employer and the member. See also EIOPA’s own “Mapping Exercise” under section 5.3. We understand that the issue of defining contract boundaries under Solvency II has been fraught with difficulties and has still not been finalized after many years of deliberations. We believe that these difficulties and potential for misunderstandings should not be transferred to IORPs.</p> <p>Starting with the premise that IORPs are not insurers, in particular they are not financial institutions, we suggest deriving the definition as to what benefits and contributions are to be included in the valuation of the TPs from first principles that are appropriate for IORPs. We would therefore suggest use a term such as “Boundaries of obligations and contributions” rather than “contract boundaries”. We think it is important to use a different name not only because of the reasons given in the consultation itself but also because of the fundamentally different nature of, for example, employer-own IORPs and insurers.</p>	See comment no. 82.
182.	Actuarial Association of Europe	Q3	<p>Some of the shortcomings are explained in section 4.16. In addition, there is typically no direct “contract” between the IORP and the member, as is typically the case for an insurance contract. The legal relationship may be indirect though, for example, it may be an agreement between the sponsor and the IORP or the employer and</p>	<p>Noted.</p> <p>See comment no. 85.</p>

			<p>the member. See also EIOPA's own "Mapping Exercise" under section 5.3. Although we understand that the issue of defining contract boundaries under Solvency II has been fraught with difficulties, it has still not been finalized after many years of deliberations. We believe that these difficulties and potential for misunderstandings should not be transferred to IORPs.</p> <p>Starting with the premise that IORPs are not insurers, i.e. at most only secondarily financial institutions, we suggest deriving the definition as to what benefits and contributions are to be included in the valuation of the TPs from first principles that are appropriate for IORPs. We would therefore suggest use a term such as "Boundaries of obligations and contributions" rather than "Contract boundaries". We think it is important to use a different name not least because of the different nature of employer-own IORPs and insurers.</p>	
183.	AEIP	Q3	<p>AEIP does not believe that the HBS might serve as an adequate tool for prudential supervision.</p> <p>It should neither be used for capital requirements nor as an information tool towards scheme members. If any concrete use for the HBS should be sought, the HBS could possibly have a limited value as a risk management tool. However, it is still too complex for small and medium sized IORPs, and there are less complex (and more efficient) methods that might be used.</p> <p>AEIP answered all questions of the consultation despite of these doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>We would propose "scope of the agreement(s)" instead of contract boundaries.</p>	<p>Noted.</p> <p>See comment no. 86.</p>

184.	Aon Hewitt	Q3	We refer to the general principles in our response to Q1.	Noted.
185.	Association of Pension Lawyers	Q3	UK IORPs tend to categorise liabilities into “accrued rights” and “prospective rights”. We assume the HBS should only recognise accrued obligations.	Noted.
186.	BAPI	Q3	<p>Q3: If not, please provide an expression more suitable for IORPs which could replace the expression “contract boundaries”.</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI’s view, BAPI answers EIOPA’s questions in order to provide constructive input for EIOPA’s further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>We would avoid using the wording “contract boundaries”. This is Solvency II terminology which does not fit for IORPs. We would prefer to talk about the “scope for the agreement”.</p>	<p>Noted.</p> <p>See comment no. 90.</p>

			Not clear what happens if no risk is transferred from the sponsoring undertaking to the IORP. Does this mean there is no contract in the context of contract boundary? Please clarify.	Please refer to paragraphs 4.25 to 4.27 of the Consultation Paper.
187.	Barnett Waddingham LLP	Q3	We believe that any solvency requirements should be set by national regulators who will have an understanding of the appropriate terminology.	Noted.
188.	Compass Group PLC	Q3	Q3: If not, please provide an expression more suitable for IORPs which could replace the expression "contract boundaries".	
189.	D & L Scott	Q3	<p>IORPs of my experience are trust-based, not contract-based. The contributors to the trust (both employers and members) expect their trustees to invest their entrusted capital prudently to deliver the financial benefits as they fall due. Funding and estimated obligations are pooled rather than allocated to individual members or other beneficiaries.</p> <p>The expression more suitable for IORPS would seem to be in terms of "accrued benefits" to distinguish them from "prospective benefits", which may or may not fall due.</p> <p>http://www.ipe.com/news/regulation/insurance-language-on-contracts-within-eiopa-balance-sheet-unfortunate/10003922.fullarticle</p>	Noted.
190.	EEF	Q3	As we commented in our response to Q1, the focus should simply be on the cash flows in and out to be captured by the calculations.	Noted.

				See comment no. 99.
191.	Eversheds LLP	Q3	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>In the context of UK IORPs we think in terms of to what has been “promised” by the IORP to the member and/or the liabilities of the IORP rather than referring to a contract between the IORP and the member. Therefore, an expression like “Extent of Promise” or “Extent of liability” would be more suitable to use in the context of IORPs.</p>	<p>Noted.</p> <p>See comment no. 100.</p>
192.	FVPK	Q3	<p>If not, please provide an expression more suitable for IORPs which could replace the expression “contract boundaries”.</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>We would propose “given promise” instead of “contract boundaries”.</p>	<p>Noted.</p> <p>See comment no. 104.</p>
193.	GDV	Q3	<p>If not, please provide an expression more suitable for IORPs which could replace the expression “contract boundaries”.</p>	Noted.

			It is important that the term “contract” only addresses the activities of the IORP related to the scheme.	
195.	Heathrow Airport Limited	Q3	Q3: If not, please provide an expression more suitable for IORPs which could replace the expression “contract boundaries”.	
196.	Hoechst-Gruppe VVaG	Q3	<p>Maybe “Boundaries of agreements” could describe reality better. See our answer to Q1.</p> <p>The answer to Q1 was:</p> <p>There is typically no direct “contract” between the IORP and the member, as is typically the case for an insurance contract. The legal relationship may be indirect though, for example, it may be an agreement between the sponsor and the IORP or the employer and the member. See also EIOPA’s own “Mapping Exercise” under section 5.3. We understand that the issue of defining contract boundaries under Solvency II has been fraught with difficulties and has still not been finalized after many years of deliberations. We believe that these difficulties and potential for misunderstandings should not be transferred to IORPs.</p> <p>Starting with the premise that IORPs are not insurers, in particular they are not financial institutions, we suggest deriving the definition as to what benefits and contributions are to be included in the valuation of the TPs from first principles that are appropriate for IORPs. We would therefore suggest use a term such as “Boundaries of obligations and contributions” rather than “contract boundaries”. We think it is important to use a different name not only because of the reasons</p>	<p>Noted.</p> <p>See comment no. 108.</p>

			given in the consultation itself but also because of the fundamentally different nature of, for example, employer-own IORPs and insurers.	
197.	IFoA	Q3	We would favour using expressions that may be understood more intuitively (by practitioners, at least), such as "Level A cashflows", "Level B cashflows".	Noted. See comment no. 111.
198.	IVS	Q3	<p>Some of the shortcomings of the term "contract boundaries" are explained in section 4.16. In addition, there is typically no direct "contract" between the IORP and the member, as is typically the case for an insurance contract. Even though there typically exists a legal relationship it may be indirect: For example, it may be an agreement between the sponsor and the IORP or the employer and the member. See also EIOPA's own "Mapping Exercise" under section 5.3. We understand that the issue of defining contract boundaries under Solvency II has been fraught with difficulties and has still not been finalized after many years of deliberations. We believe that these difficulties and potential for misunderstandings should not be transferred to IORPs.</p> <p>Starting with the premise that IORPs are not insurers, i.e. at most only secondarily financial institutions, we suggest deriving the definition as to what benefits and contributions are to be included in the valuation of the TPs from first principles that are appropriate for IORPs. We would therefore suggest use a term such as "Boundaries of obligations and contributions" rather than "contract boundaries". We think it is important to use a different name not only because of the reasons given in the consultation itself but also because of the fundamentally different nature of, for example, single-employer IORPs and insurers.</p>	Noted. See comment no. 114.
199.	Jane Marshall Consulting	Q3	It is not a question of merely finding a more appropriate description. UK pension provision, for example, involves a complex	Noted.

			interaction between trust law, contract law, pensions law and regulation. Each scheme is governed by separate sets of rules. Analysing the correct position for each scheme to identify 'contract boundaries' could be onerous.	
201.	NAPF	Q3	<p>Q3: If not, please provide an expression more suitable for IORPs which could replace the expression "contract boundaries".</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>As explained in answer to Q.1 above, the NAPF's view is that there are fundamental weaknesses in applying the concept of 'contract boundaries' to IORPs. These would not be addressed by use of a different expression.</p>	Noted.
204.	Pensioenfederatie	Q3	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p>	Noted.

			We would propose "scope of the agreement" instead of contract boundaries.	See comment no. 120.
205.	PensionsEurope	Q3	<p>If not, please provide an expression more suitable for IORPs which could replace the expression "contract boundaries".</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We would propose "scope of the agreement" or "pension promise" instead of "contract boundaries".</p>	<p>Noted.</p> <p>See comment no. 121.</p>
208.	RPTCL	Q3	We have no alternative terms to suggest that may work across all members states. However, whatever terminology is chosen, we feel it is important that national regulators are provided with sufficient flexibility to determine the set of rules on benefits to be covered by that terminology. For example, using the example of our IORPs, we would consider it inappropriate for benefits associated with future service to be covered by the chosen terminology but we appreciate and accept that there may be member states where inclusion of this type of benefit may be appropriate.	Noted.
209.	Society of Pension Professionals	Q3	If not, please provide an expression more suitable for IORPs which could replace the expression "contract boundaries".	

			<p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>None immediately springs to mind.</p>	Noted.
211.	Towers Watson	Q3	<p>If not, please provide an expression more suitable for IORPs which could replace the expression "contract boundaries".</p> <p>Whatever expression is used, it needs to identify the benefits that the IORP is obliged to provide in accordance with the governing documentation.</p>	Noted.
212.	United Utilities Group	Q3	Q3: If not, please provide an expression more suitable for IORPs which could replace the expression "contract boundaries".	
213.	ZVK-Bau	Q3	Due to the complicated matter we fear there is no short term available.	Noted.

214.	Assuralia Belgium		Reference	
215.	OPSG	Q4	<p>The OPSG notes that if Solvency II were to be applied without amendment, this would imply that all future cashflows would be recognised in technical provisions, except in NL which currently is the only MS where the IORP itself has a unilateral right to terminate. This would not be appropriate as it is recognised in 4.26 that an IORP is a vehicle used to provide benefits as determined by others i.e. social partners. In the UK for example the sponsoring employer, occasionally the trustees, sometimes both sponsoring employer and trustees jointly, may have rights of termination.</p>	<p>Partially agreed. Text revised as follows: The condition "d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits." was added.</p>
216.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q4	<p>The Solvency II model fits insurance contracts, but it does not fit occupational pensions. This is the case because in occupational pensions the "boundaries" when and under which conditions the increase in entitlements may change or may be frozen are governed by social and labour law. This often involves all parties.</p> <p>We support the idea that the technical provisions should only include those contributions and benefits which are laid down in the agreed relationship between IORP and employee as well as between IORP and employer (4.24).</p> <p>We strongly disagree with Points 4.25 and 4.26. For IORPs it does not matter what the employer promised to the employee; the rules which matter for IORPs are the agreed fixed rules between the IORP and the relevant stakeholders. An adequate description of the risks carried by the IORP cannot be based on rules for which there is no agreement</p>	<p>Noted.</p>

			<p>with the IORP.</p> <p>From our perspective, “risks building up for a promise to provide benefits of occupational retirement provision (primarily) via an IORP” is not at all a suitable approach for calculating adequate financial resources for IORPs. We are concerned about Point 4.27 which relates the “promise to provide benefits” directly to the calculated cashflows. The second part of this paragraph rightly recognises that cashflows which have to be paid by the IORP should be included in the technical provisions. There is no basis for the inclusion of cash flows beyond this, in particular not for parts of the “promise” which are not or cannot be delivered by the IORP.</p>	
217.	ACA	Q4	<p>In the context of an IORP the rights/powers may rest unilaterally or jointly with the governing body of the IORP (e.g. the plan trustees) and/or the sponsor, the social partners or the regulator. This should be reflected in the definition of the contract boundaries.</p> <p>Additionally, the acquisition of benefit rights under an IORP is not solely linked to the collection / payment of contributions during the same period during which the rights are acquired. A benefit entitlement may be acquired but not fully funded at the time it is earned – an IORP rejecting a contribution payment would not necessarily prevent the benefit entitlement being acquired.</p>	<p>Partially agreed. Text revised as follows: The condition “d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits.” was added.</p> <p>Noted.</p>
218.	Actuarial Association of Europe	Q4	<p>Yes. We consider that the expressions “unilateral right or obligation of an IORP to terminate/amend ...” and “fully reflect the risk” are not</p>	<p>Noted.</p>

			clearly defined and, in particular, would like to know what they mean, or supposed to mean, in each local context. We understand that the basis for EIOPA is the Call for Advice from the Commission and that the two expressions may mean the unrestricted ability to amend at a predetermined time in a way that may fully reflect the risks as determined at the time of amendment. Then we suggest that should be stated – or defined clearly somewhere.	
219.	AEIP	Q4	<p>AEIP believes that this section does not fully recognize the triangular relationship among the employee, the employer and the institution. Indeed, we find that it rather considers two actors (as in commercial law).</p> <p>The term “contract boundaries” and the definition are not adequate for IORPs. The scope of the agreement should be different depending on whether the purpose of the HBS exercise is an application for capital requirements or as a risk management tool. For an application in capital requirements, the scope should be limited to unconditional elements of the agreement, for an application as risk management tool, a wider scope could be considered.</p>	Noted.
220.	AGV Chemie	Q4	From our perspective the concept cannot be applied in a collectively managed pension plan (especially for a DB plan) and should be omitted.	Noted.
221.	Aon Hewitt	Q4	We refer to the general principles in our response to Q1.	Noted.
222.	Association of Pension Lawyers	Q4	This section does not appear to recognise that, while a UK IORP may not have a unilateral power to terminate the accrual of benefits, the sponsor of the IORP may well have this power. We assume that, even if the power is held by the sponsor rather than by the IORP, the	Agreed. Text revised as follows: The condition “d. The future date

			existence of the power should be recognised in the HBS.	where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits." was added.
223.	BAPI	Q4	<p>Q4: Do stakeholders have any general comments on the above section?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>The ideas and terminology is too much a copy/past of Solvency II regulation and does not fit the IORP environment.</p> <p>Furthermore it is difficult to set the definition without knowing the use of the HBS: to define liabilities and capital requirements or as a risk management tool.</p>	Noted.

224.	Barnett Waddingham LLP	Q4	We believe that any solvency requirements should be set by national regulators who will have an understanding of the appropriate background.	Noted.
225.	BASF SE	Q4	From our perspective the concept cannot be applied in a collectively managed pension plan (especially for a DB plan) and should be omitted.	Noted.
226.	BDA	Q4	From our perspective the concept cannot be applied in a collectively managed pension plan (especially for a DB plan) and should be omitted.	Noted.
227.	Better Finance	Q4	<p>Better Finance, from the point of savers (even in cases where there is only an employer contribution and no employee contribution, obviously the employer contribution is part of the global remuneration of employees), has a slightly different view on this assumption. Members and future (and current) beneficiaries of IORP do not recognize the sponsor (employer) as the subject obliged to pay post-employment benefits (pension). Members (savers) are generally put into position that the respective IORP is responsible (and thus obliged) for the pensions.</p> <p>This shared responsibility with increasing level of obligations put on the IORPs should be recognized. When drafting the regulation on IORPs, the savers position should not be weakened by blurring the obligation to fulfill the “promise” set by either employer or IORP by its plan (product) as indirectly recognized in par. 4.27.</p> <p>IORP as an intermediary has the ultimate objective to provide the promised benefits for members (savers) and has been built by the sponsor to have the capacity (not only financial, but especially professional) to guide the sponsor in the process of achieving the</p>	Noted.

			<p>adequate level of sources to fulfill the promises. Decreasing the responsibility of IORPs in this aspect and focusing only at the cash-flow recognized as technical provisions significantly diminish the level that should be achieved, meaning to have financially viable and stable IORPs able to deliver defined benefits.</p> <p>The term “contract boundary” clearly recognizes the influence of Solvency II approach for (re)insurance undertakings. The meaning of this technical expression is clearly to recognize the limits of an agreement between the members (sponsors) and an IORP. However, it is often laid down in pension plan documents what kind of rights can be exercised by an IORP and under which circumstances such rights can be unilaterally or based on previous agreement exercised.</p>	
228.	Compass Group PLC	Q4	Q4: Do stakeholders have any general comments on the above section?	
229.	D & L Scott	Q4	<p>The section introduces a concept of “risks building up in the IORP” without defining “risks” and without acknowledging (and defining) the differences between uncertainties and so-called risks.</p> <p>It’s now over forty years since Professor Benjamin Graham warned: “ the standard practice to define ‘risk’ in terms of average price variations or ‘volatility’ [is] more harmful than useful for sound investment decisions – because it places too much emphasis on market fluctuations.” Source: The Intelligent Investor, 4th edition</p> <p>It’s even longer since John Maynard Keynes wrote in the 1930s: “ [A]t any given time facts and expectations were assumed to be given in a definite and calculable form ; and risks were supposed to be capable of an exact actuarial computation. The calculus of probability, though mention of it was kept in the background, was supposed to be</p>	Noted.

			<p>capable of reducing uncertainty to the same calculable status as that of certainty itself By 'uncertain' knowledge, let me explain, I do not mean merely to distinguish what is known for certain from what is only probable. The game of roulette is not subject, in this sense, to uncertainty ; nor is the prospect of a Victory Bond [a form of Canadian government issue during WW1 and WW2, but I think Keynes was referring to undated bonds generally] being drawn. Or, again, the expectation of life is only slightly uncertain. Even the weather is only moderately uncertain. The sense in which I am using the term is that in which the prospect of a European war is uncertain, or the price of copper and the rate of interest twenty years hence, or the obsolescence of a new invention, or the position of private wealth owners in the social system in 1970. About these matters there is no scientific basis on which to form any calculable probability whatsoever. We simply do not know."</p> <p>When setting investment strategy, IORP trustees should base their decisions on expected, not historic, returns. While it is possible to form an expectation of the total return from a portfolio of assets over, say, the next decade without having an opinion about the contribution from the different components of investment return, it is not sensible to do so. It is preferable to think at least in separate terms of capital gains and yield, and even better to use a form of decomposition analysis, using initial portfolio yield, expected portfolio yield growth and calculating market re-rating impacts. Sensitivity analysis may be introduced by using different expected terminal yields.</p>	
230.	EAPSPI	Q4	<p>The technical provisions should only include those contributions and benefits which are laid down in the contractual relationship between IORP and employer (4.24).</p>	Noted.

			<p>We strongly disagree with Points 4.25 and 4.26: the basic rules which apply for IORPs are the contractually fixed rules between the IORP and the sponsors. An adequate description of the risks borne by the IORP cannot be based on rules for which there is no contractual agreement with the IORP. EAPSPI is of the opinion that “risks building up for a promise to provide benefits of occupational retirement provision (primarily) via an IORP” should not be recognised at all when calculating adequate financial resources for IORPs. We are concerned about Point 4.27 which relates the “promise to provide benefits” directly to the calculated cashflows. The second part of this paragraph rightly recognises that cashflows which have to be paid by the IORP should be included in the technical provisions. There is no basis for the inclusion of cash flows beyond this, in particular not for parts of the “promise” which is not one or cannot be delivered by the IORP.</p>	
231.	Eversheds LLP	Q4	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>In the UK, the right to terminate an IORP in respect of the future accrual of benefits may rest with the sponsoring employer or with the sponsor and the IORP, so the issues raised in para 4.28 regarding the right to ‘stop’ or modify the promise are complex.</p> <p>It should also be noted that, in the UK, Section 67 of the Pensions Act 1995 protects accrued rights, so these cannot be modified or taken away by either the sponsor or IORP.</p>	<p>Noted.</p> <p>Partially agreed. Text revised as follows: The condition “d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits.”</p>

			In addition, we query the extent to which the ability to stop the promise to provide benefits (by which we mean the ability to avoid liabilities that have already accrued as opposed to stopping the accrual of future liabilities) or to reduce the amount of those benefits should be reflected in the Holistic Balance Sheet, given that in our view, the purpose of a prudential funding regime should be to seek to ensure that promises are met not to implicitly provide that it is ok for IORPs to reduce or avoid those promises.	was added.
232.	Evonik Industries AG	Q4	From our perspective the concept cannot be applied in a collectively managed pension plan (especially for a DB plan) and should be omitted.	Noted.
233.	FSUG	Q4	<p>FSUG from the point of savers (even in cases where there is only an employer contribution and no employee contribution, obviously the employer contribution is part of the global remuneration of employees) has a slightly different view on this assumption. Members and future (and current) beneficiaries of IORP do not recognize the sponsor (employer) as the subject obliged to pay post-employment benefits (pension). Members (savers) are generally put into position that the respective IORP is responsible (and thus obliged) for the pensions.</p> <p>This shared responsibility with increasing level of obligations put on the IORPs should be recognized. When drafting the regulation on IORPs, the savers position should not be weakened by blurring the obligation to fulfill the “promise” set by either employer or IORP by its plan (product) as indirectly recognized in par. 4.27.</p> <p>IORP as an intermediary has the ultimate objective to provide the promised benefits for members (savers) and has been built by the</p>	Noted.

			<p>sponsor to have the capacity (not only financial, but especially professional) to guide the sponsor in the process of achieving the adequate level of sources to fulfill the promises. Decreasing the responsibility of IORPs in this aspect and focusing only at the cash-flow recognized as technical provisions significantly diminish the level that should be achieved, meaning to have financially viable and stable IORPs able to deliver promised benefits.</p> <p>The term “contract boundary” clearly recognizes the influence of Solvency II approach for (re)insurance undertakings. The meaning of this technical expression is clearly to recognize the limits of an agreement between the members (sponsors) and an IORP. However, it is often laid down in pension plan documents what kind of rights can be exercised by an IORP and under which circumstances such rights can be unilaterally or based on previous agreement exercised.</p>	
234.	FVPK	Q4	<p>Do stakeholders have any general comments on the above section?</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>As pointed out in the General Remarks, we have to clearly separate the funds and technical provisions dedicated to cover the pension payments and the technical provisions to cover optional additional guarantees.</p> <p>We strongly disagree with Points 4.25 and 4.26. In many cases, for IORPs it does not matter what the employer promised to the</p>	Noted.

			<p>employee; the rules which matter for IORPs are the fixed rules between the IORP and the relevant stakeholders. An adequate description of the risks carried by the IORP cannot be based on rules for which there is no contractual agreement with the IORP.</p> <p>So from view of FVPK, the cashflows which have to be paid directly by the IORP (and not those to be paid by the dedicated funds) should be included in the technical provisions. There is no basis for the inclusion of cash flows beyond this, in particular not for parts of the “promise” which is not or cannot be delivered by the IORP.</p>	
235.	GDV	Q4	<p>Do stakeholders have any general comments on the above section?</p> <p>For some schemes contradictions may arise between the contract boundaries as defined in the consultation paper and the unilateral rights of an IORP (see Q23 for instance). This is particularly the case when the IORP undertakes the commitment to implement occupational pension provision, however the exact level of contributions of the sponsor are not specified yet and can be adjusted according to the true risk.</p>	Noted.
237.	Heathrow Airport Limited	Q4	Q4: Do stakeholders have any general comments on the above section?	
238.	Hoechst-Gruppe VVaG	Q4	The Solvency II model fits insurance contracts, but it does not fit occupational pensions. This is the case because in occupational pensions the “boundaries” when and under which conditions the increase in entitlements may change or may be frozen are governed by social and labour law. This often involves all parties.	Noted.

			<p>We support the idea that the technical provisions should only include those contributions and benefits which are laid down in the agreed relationship between IORP and employee as well as between IORP and employer (4.24).</p> <p>We strongly disagree with Points 4.25 and 4.26. For IORPs it does not matter what the employer promised to the employee; the rules which matter for IORPs are the agreed fixed rules between the IORP and the relevant stakeholders. An adequate description of the risks carried by the IORP cannot be based on rules for which there is no agreement with the IORP.</p> <p>From our perspective, “risks building up for a promise to provide benefits of occupational retirement provision (primarily) via an IORP” is not at all a suitable approach for calculating adequate financial resources for IORPs. We are concerned about Point 4.27 which relates the “promise to provide benefits” directly to the calculated cashflows. The second part of this paragraph rightly recognises that cashflows which have to be paid by the IORP should be included in the technical provisions. There is no basis for the inclusion of cash flows beyond this, in particular not for parts of the “promise” which are not or cannot be delivered by the IORP.</p>	
239.	IFoA	Q4	<p>The IFoA questions the aim set out in paragraph 4.10 - to have a definition that does not require decision by national supervisory authorities. As stated in our responses to earlier consultations, we favour a principles-based approach with decisions delegated to the lowest level at which there is competence to make them.</p>	Noted.

			<p>As the framework for IORPs varies significantly between MS, our concern is that it would be very difficult to find a definition that works across the EU. Indeed, we suspect that a decision by national supervisory authorities could only be avoided by making the definition long and complex. This may often require extensive legal advice in order to determine what should, or should not, be included in the calculations. This would increase the cost of preparing the HBS calculations. It may also act as a barrier to future innovation in benefit design.</p> <p>One difficulty that arises from the separate identification of all possible cashflows is that a substantial amount of work may be needed to calculate the amounts of small and rarely-paid benefits (e.g. pensions for orphans), which would form an immaterial part of the technical provisions. Requiring the calculation of such benefit amounts would significantly reduce the cost-effectiveness of the HBS and further reinforces the value of a principles-based approach.</p> <p>It is important that the technical provisions recognise the risks that the IORP is irrevocably committed to bearing. Furthermore, we welcome the recognition of the roles of the sponsor and social partners in paragraph 4.26 and would urge EIOPA to take these into account, rather than focus solely on unilateral powers of the IORP.</p> <p>A final overarching comment in relation to this section is that, in general, we consider that the protection of future service rights naturally falls under social security and labour law, rather than under prudential regulation of IORPs – and this is particularly the case in the</p>	<p>Partially agreed. Text revised as follows: The condition “d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits.”</p>
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			UK.	was added.
240.	IVS	Q4	Yes. We consider that the expressions “unilateral right or obligation to terminate/amend ...” and “fully reflect the risk” are not clearly defined and, in particular, would like to know what they mean, or are supposed to mean, in the local context. We understand that the basis for EIOPA is the Call for Advice from the Commission and that the two expressions may mean the unrestricted ability to amend at a predetermined time in a way that may fully reflect the risks as determined at the time of amendment. If this is so, we suggest that should be stated and thus clearly defined.	Noted.
241.	Jane Marshall Consulting	Q4	In the UK, because each scheme is different and member rights depend on the detailed review and interpretation of a number of scheme rules, compliance with detailed and prescriptive requirements would be likely to be onerous and costly while at the same time making no material difference to proper risk management. It would be more practical if analyses of scheme specific issues and risk were left to those who are accountable (trustee boards in a UK context) who are better placed to evaluate the context and work within a developed regulatory system. There is no need for a EU wide harmonised system of this detail and complexity where national law and regulation is robust and risk based.	Noted.
242.	NAPF	Q4	Q4: Do stakeholders have any general comments on the above section? The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.	Noted. Agreed. Text

			<p>In the UK, the right to terminate an IORP may rest with the sponsoring employer or with the sponsor and scheme, so the issues raised in para 4.28 regarding the right to 'stop' or modify the promise are complex.</p> <p>It should also be noted that, in the UK, Section 67 of the Pensions Act 1995 protects accrued rights, so these cannot be modified or taken away by either the sponsor or IORP (except where actuarial equivalence is maintained or the individual member consents). Benefits are reduced, of course, in the event of insolvency and transfer to the Pension Protection Fund.</p>	<p>revised as follows: The condition "d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits." was added.</p>
245.	Otto Group	Q4	<p>From our perspective the concept cannot be applied in a collectively managed pension plan (especially for a DB plan) and should be omitted.</p>	Noted.
246.	Pensioenfederatie	Q4	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes.. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in</p>	Noted.

			<p>order to provide our constructive input to the works of EIOPA.</p> <p>The term “contract boundaries” and the definition are not adequate for IORPs. The scope of the agreement should be different depending on whether the purpose of the HBS exercise is its application to capital requirements or as a risk management tool. For its application to capital requirements, the scope should be limited to unconditional elements of the agreement, for an application as risk management tool, a wider scope could be considered.</p>	
247.	PensionsEurope	Q4	<p>Do stakeholders have any general comments on the above section?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>The Solvency II model fits insurance contracts, but it does not fit occupational pensions. This is the case because in occupational pensions the “boundaries” when and under which conditions the increase in entitlements may change or may be frozen are governed by social and labour law. This often involves many/all parties.</p> <p>Currently, IORPs can unilaterally terminate a ‘contract’ only in a couple of Member States (as shown in the mapping exercise). This</p>	<p>Noted.</p> <p>Partially agreed. Text revised as follows: The</p>

			<p>means that in all other countries, all future cashflows would be recognised in technical provisions (if Solvency II-type rules were to be applied without amendments). We note that in other Member States the sponsor may terminate the agreement. That is why we support the idea that the technical provisions should only include those contributions and benefits which are laid down in the agreed relationship between IORP and employee as well as between IORP and employer (4.24).</p> <p>We strongly disagree with Points 4.25 and 4.26. In many cases, for IORPs it does not matter what the employer promised to the employee; the rules which matter for IORPs are the fixed rules between the IORP and the relevant stakeholders. An adequate description of the risks carried by the IORP cannot be based on rules for which there is no agreement with the IORP.</p> <p>From our perspective, “risks building up for a promise to provide benefits of occupational retirement provision (primarily) via an IORP” is not at all a suitable approach for calculating adequate financial resources for IORPs. We are concerned about Point 4.27 which relates the “promise to provide benefits” directly to the calculated cashflows. The second part of this paragraph rightly recognises that cashflows which have to be paid by the IORP should be included in the technical provisions. There is no basis for the inclusion of cash flows beyond this, in particular not for parts of the “promise” which is not or cannot be delivered by the IORP.</p> <p>The scope of the agreement should be different depending on whether the purpose of the HBS exercise is an application for capital requirements or as a risk management tool. While we oppose any</p>	<p>condition “d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits.” was added.</p>
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			<p>application of the HBS, we think that different applications will require differing scopes of the agreement: For an application in capital requirements, the scope should be limited to unconditional elements of the agreement, for an application as risk management tool, a wider scope could be considered.</p> <p>We note that more clarity is needed for cases where no risk is transferred from the sponsor to the IORP for example in the case of a "best effort obligation" of the IORP.</p>	
250.	RPTCL	Q4	<p>Factors that need to be taken into account in addition to what is described in the section are: the action of stopping a promise to provide benefits often rests with more than one party (the IORP, its trustees, the IORP's sponsor, members of the IORP, trade unions and other employee representatives are typical parties involved in the process, in our experience); and decisions to stop promises are often made following consultation with all the relevant parties, taking into account factors such as affordability.</p>	<p>Noted.</p> <p>Partially agreed. Text revised as follows: The condition "d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits." was added.</p>
251.	Siemens Pensionsfonds	Q4	<p>From our perspective the concept cannot be applied in a collectively managed pension plan (especially for a DB plan) and should be omitted.</p>	<p>Noted.</p>

252.	Society of Pension Professionals	Q4	<p>Do stakeholders have any general comments on the above section?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>In the context of an IORP the rights/powers may rest unilaterally or jointly with the governing body of the IORP (e.g. the plan trustees) and/or the sponsor, the social partners or the regulator. This should be reflected in the definition of the contract boundaries.</p> <p>Additionally, the acquisition of benefit rights under an IORP is not solely linked to the collection / payment of contributions during the same period during which the rights are acquired. A benefit entitlement may be acquired but not fully funded at the time it is earned – an IORP rejecting a contribution payment would not necessarily prevent the benefit entitlement being acquired.</p>	<p>Noted.</p> <p>Partially agreed. Text revised as follows: The condition "d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits." was added.</p>
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254.	Towers Watson	Q4	<p>Do stakeholders have any general comments on the above section?</p> <p>The expressions “unilateral right or obligation to terminate/amend ...” and “fully reflect the risk” need to be defined separately or incorporated into any definition of benefit obligations (Q3). Rights may rest unilaterally or jointly with the governing body of the IORP (e.g. the plan trustees) and/or the sponsor, the social partners or the regulator. The acquisition of benefit rights is not necessarily directly linked to the collection / payment of contributions over the same duration – rights may be acquired but not fully funded at the time they are granted.</p>	<p>Noted.</p> <p>Partially agreed. Text revised as follows: The condition “d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits.” was added.</p>
255.	United Utilities Group	Q4	Q4: Do stakeholders have any general comments on the above section?	
256.	ZVK-Bau	Q4	Due to the triangular relationship of employer, employee and IORP of our fund which is based on social contracts and mostly regulated by social and labour law the “risks building up” are primarily defined by social partners. But social and labour law and prudential law as well as contractual law will have a strong influence. Therefore this section can only be answered on a case to case basis. The section seems to be incomplete.	Noted.
257.	OPSG	Q5	As noted above, this would apply in only one MS. It would therefore seem more appropriate to recognise cashflows only in respect of benefits accrued to date where some entity/person or combination of parties i.e. the IORP, the social partners (or the employer acting unilaterally) can terminate or amend the future accrual of benefits.	<p>Noted.</p> <p>See comment no. 215.</p>

258.	100 Group of Finance Directors	Q5	<p>Q5: Do stakeholders think that unilateral rights (or obligations) of an IORP to terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk should be the basis for a definition of contract boundaries for IORPs? Are there cases where such rights (or obligations) should be the basis for a definition of contract boundaries for IORPs even though they are not unilateral rights (or obligations) of the IORP, but can be exercised unilaterally or jointly by other parties (possibly together with the IORP)?</p> <p>The 100 Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</p> <p>This does not capture the situation in the UK where the power to terminate an IORP may also reside with the sponsoring employer (either solely or by agreement with the trustees of the IORP). Such arrangements should also be included in the definition.</p> <p>It should be noted, however, that under UK legislation (section 67 of the Pensions Act 1995), it is not generally possible to modify benefits that have already accrued.</p>	<p>Noted.</p> <p>Agreed. Text revised as follows: The condition "d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits." was added.</p>
259.	aba Arbeitsgemeinschaft für	Q5	No. In principle, the concept as described is not suited as basis for a definition of agreed boundaries for IORPs given the implications of the	Partially agreed. Text revised as

	betriebliche Altersve	<p>relevant social and labour law (cf. answer to Q1 and 4). However, where existent, it must be possible to include any unilateral rights and options agreed upon by the IORP when determining the relevant cashflows. If the rights and options can only be exercised if other stakeholders agree, there should be the option to include them if the agreement of the other stakeholders can be taken as a given. If applicable, especially the legal rights and possibilities of social partners should be taken into account.</p> <p>The answers to Q1 and Q4 were:</p> <p>There is typically no direct “contract” between the IORP and the member, as is typically the case for an insurance contract. The legal relationship may be indirect though, for example, it may be an agreement between the sponsor and the IORP or the employer and the member. See also EIOPA’s own “Mapping Exercise” under section 5.3. We understand that the issue of defining contract boundaries under Solvency II has been fraught with difficulties and has still not been finalized after many years of deliberations. We believe that these difficulties and potential for misunderstandings should not be transferred to IORPs.</p> <p>Starting with the premise that IORPs are not insurers, in particular they are not financial institutions, we suggest deriving the definition as to what benefits and contributions are to be included in the valuation of the TPs from first principles that are appropriate for IORPs. We would therefore suggest use a term such as “Boundaries of obligations and contributions” rather than “contract boundaries”. We think it is important to use a different name not only because of the reasons given in the consultation itself but also because of the fundamentally different nature of, for example, employer-own IORPs and insurers.</p>	<p>follows: The condition “d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits.” was added.</p>
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260.	ACA	Q5	<p>Unilateral rights (or obligations) of an IORP to terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk should form part of the definition of contract boundaries for IORPs.</p> <p>Where similar powers under the governing documentation of the IORP can be exercised unilaterally or jointly by other parties (possibly together with the IORP), these should also form part of the definition. For example, such powers may rest with the sponsor or may be held jointly by the sponsor and the IORP.</p>	<p>Partially agreed. Text revised as follows: The condition "d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits." was added.</p>
261.	Actuarial Association of Europe	Q5	<p>Yes, although we understand EIOPA is still working on explaining what may be relevant here (as per section 4.48)</p> <p>It would seem appropriate to recognise cashflows only in respect of benefits accrued to date or future contributions where some entity/person or combination of parties i.e. the IORP, the social partners (or the employer acting unilaterally) can terminate or amend the future accrual of benefits/payments of contributions.</p>	<p>Partially agreed. Text revised as follows: The condition "d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits." was added.</p>
262.	AEIP	Q5	<p>This seems to be a case that particularly fits one country. For instance, in the Netherlands IORPs do have the unilateral right to terminate the contract. For capital requirements we suggest that the "scope of agreement" should take into account only benefits accrued to date. Future in- and outgoing cash flows can be taken into account in a risk management tool of a "holistic framework".</p>	<p>Noted.</p>

263.	AGV Chemie	Q5	<p>No. In addition, the right to reject additional contributions does not stop the liability to pay benefits – so that point in time cannot be used for setting a contract boundary.</p> <p>Whether contributions fully reflect the risk is dependent on the measure. So it could occur a circular reasoning to base the definition of “contract boundaries” and then build up a risk measure on that.</p>	Noted.
264.	Aon Hewitt	Q5	We refer to the general principles in our response to Q1.	Noted.
265.	Association of Pension Lawyers	Q5	We suggest that, in relation to UK IORPs, the assumption should be made that it is always possible for a party, other than the relevant employees, to terminate the accrual of further benefits under the IORP unilaterally. This should be recognised by the HBS only taking into account accrued rights.	Partially agreed. Text revised as follows: The condition “d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits.” was added.
266.	Atradius Credit Insurance NV	Q5	<p>The definition of contract boundaries (or any variation of this definition) should be</p> <p>expanded to include the rights of the sponsor as well as the IORP itself, as one or both</p> <p>may have the power to unilaterally or jointly terminate the contract/agreement/promise or</p> <p>reject additional contributions to the contract/agreement/promise or modify the promise in</p>	Partially agreed. Text revised as follows: The condition “d. The future date where the sponsor or sponsors has a unilateral right to terminate future

			a way that contributions fully reflect the risk.	accrual of benefits." was added.
267.	BAPI	Q5	<p>Q5: Do stakeholders think that unilateral rights (or obligations) of an IORP to terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk should be the basis for a definition of contract boundaries for IORPs? Are there cases where such rights (or obligations) should be the basis for a definition of contract boundaries for IORPs even though they are not unilateral rights (or obligations) of the IORP, but can be exercised unilaterally or jointly by other parties (possibly together with the IORP)?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>We are not convinced it is important to know who has the right or the unilateral right to change the contract/agreement/pension promise (the IORP, the sponsor, the social partners, ...), the question is can the</p>	Noted.

			contract/agreement/pension promise be ended or amended. If so, whatever the procedure is to do so, future benefit accruals/contributions do not need to be considered for the technical provisions.	
268.	Barnett Waddingham LLP	Q5	Yes, a joint exercise of rights or rights exercised unilaterally by another party should be reflected. This is common in the UK, for example in relation to a right to modify benefits.	Partially agreed. Text revised as follows: The condition "d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits." was added.
269.	BASF SE	Q5	<p>No. In addition, the right to reject additional contributions does not stop the liability to pay benefits – so that point in time cannot be used for setting a contract boundary.</p> <p>The concept behind this question appears to ignore that it is regularly the employer who makes the pension promise and, for this reason, it is up to the employer to have and exercise unilateral rights within the legal boundaries. Therefore, a starting point for defining "contract boundaries" might be the entitlement from the employer – which means that the employer has to be incorporated as a party. (see Q1)</p>	<p>Noted.</p> <p>Agreed. Text revised as follows: The condition "d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits." was added.</p>
270.	BDA	Q5	No. In addition, the right to reject additional contributions does not stop the liability to pay benefits – so that point in time cannot be used	Noted.

			<p>for setting a contract boundary.</p> <p>Whether contributions fully reflect the risk is dependent on the measure. So it could occur a circular reasoning to base the definition of “contract boundaries” and then build up a risk measure on that.</p>	
271.	Better Finance	Q5	<p>If this is the reality in most MS, then this approach could be used. However, Better Finance thinks that only a limited number of IORPs have explicitly defined a “unilateral” right to change the agreement. In most cases, this is a bilateral (multilateral) right of more partners, but too often not of the members (savers) themselves This is related to the often weak governance of IORPs where the members (savers) too often cannot designate their representatives to the governing bodies, and/or their representatives are only a minority in those governing bodies.</p>	Noted.
273.	British Telecommunications plc	Q5	<p>Q5: Do stakeholders think that unilateral rights (or obligations) of an IORP to terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk should be the basis for a definition of contract boundaries for IORPs? Are there cases where such rights (or obligations) should be the basis for a definition of contract boundaries for IORPs even though they are not unilateral rights (or obligations) of the IORP, but can be exercised unilaterally or jointly by other parties (possibly together with the IORP)?</p> <p>This does not capture the situation in the UK where the power to terminate an IORP may also reside with the sponsoring employer (either solely or by agreement with the trustees of the IORP). Such arrangements should also be included in the definition.</p>	<p>Agreed. Text revised as follows: The condition “d. The future date where the sponsor</p>

			It should be noted, however, that under UK legislation (section 67 of the Pensions Act 1995), it is not generally possible to modify benefits that have already accrued.	or sponsors has a unilateral right to terminate future accrual of benefits." was added.
274.	Candriam	Q5	<p>Do stakeholders think that unilateral rights (or obligations) of an IORP to terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk should be the basis for a definition of contract boundaries for IORPs? Are there cases where such rights (or obligations) should be the basis for a definition of contract boundaries for IORPs even though they are not unilateral rights (or obligations) of the IORP, but can be exercised unilaterally or jointly by other parties (possibly together with the IORP)?</p> <p>The definition fits the situation in some countries and not in some others. The definition should be extended to the rights of the sponsors since in many cases the sponsor can unilaterally decide to cease new accruals.</p>	<p>Agreed. Text revised as follows: The condition "d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits." was added.</p>
275.	Compass Group PLC	Q5	Q5: Do stakeholders think that unilateral rights (or obligations) of an IORP to terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk should be the basis for a definition of contract boundaries for IORPs? Are there cases where such rights (or obligations) should be the basis for a definition of contract boundaries for IORPs even though they are not unilateral rights (or obligations) of the IORP, but can be exercised unilaterally or	

			<p>jointly by other parties (possibly together with the IORP)?</p> <p>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</p> <p>This does not capture the situation in the UK where the power to terminate an IORP may also reside with the sponsoring employer (either solely or by agreement with the trustees of the IORP). Such arrangements should also be included in the definition.</p> <p>It should be noted, however, that under UK legislation (section 67 of the Pensions Act 1995), it is not generally possible to modify benefits that have already accrued.</p>	<p>Noted.</p> <p>Agreed. Text revised as follows: The condition "d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits." was added.</p>
276.	D & L Scott	Q5	<p>Having rejected the use of insurance-based "contract boundaries" earlier, I obviously do not think this should be the basis. I also refer and add to the view of Philip Shier, an Irish member of EIOPA's Occupational Pensions Stakeholder Group: "For a pension where the employer or the IORP can, effectively, unilaterally cease the accrual of benefits at a point in time, then the contract boundaries should really be accrued benefits, because future service benefits aren't necessarily going to be provided. And if they are, they are going to be funded by future contributions [and investment income and other realisable returns generated by investing those future contributions]."</p>	Noted.

277.	EEF	Q5	<p>The debate in this section of the Consultation Paper underlines the point that insurance products and DB pension expectations are so fundamentally different in nature that it is difficult to adapt the principles/definitions from one regime to the other.</p> <p>The challenge in the case of IORPS too is that, as in the UK, there may be statutory prohibitions that govern the curtailing of rights or which shape how they are to be exercised. As a result, a contractual boundary approach to defining the scope of the HBS exercise would need to be sufficiently flexible to take out account of overriding statutory protective regimes.</p>	Noted.
278.	Eversheds LLP	Q5	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We query the extent to which the ability to stop the promise to provide benefits (by which we mean the ability to avoid liabilities that have already accrued as opposed to stopping the accrual of future liabilities) or to reduce the amount of those benefits should be reflected in the Holistic Balance Sheet, given that in our view, the purpose of a prudential funding regime should be to seek to ensure that promises are met not to implicitly provide that it is ok for IORPs to reduce or avoid those promises.</p> <p>In the UK context, the right to terminate an IORP may rest with the</p>	<p>Noted.</p> <p>Agreed. Text revised as follows:</p>

			<p>sponsoring employer or with the sponsor and scheme, so the issues raised in para 4.28 regarding the right to 'stop' or modify the promise are complex.</p> <p>It should also be noted that, in the UK, Section 67 of the Pensions Act 1995 protects accrued rights, so these cannot be modified or taken away by either the sponsor or IORP.</p> <p>In addition, there is a risk that, by incorporating the elements listed above in a definition of contract boundaries, the EU could unwittingly create a conflict between EU legislation and national provisions, such as the Pension Protection Fund or the protection for accrued rights under Section 67 in the UK.</p>	<p>The condition "d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits." was added.</p>
279.	Evonik Industries AG	Q5	<p>No. In addition, the right to reject additional contributions does not stop the liability to pay benefits – so that point in time cannot be used for setting a contract boundary.</p> <p>Whether contributions fully reflect the risk is dependent on the measure. So it could occur a circular reasoning to base the definition of "contract boundaries" and then build up a risk measure on that.</p>	Noted.
280.	FFSA	Q5	<p>Yes, the unilateral rights of an IORP to terminate the contract or the promise or reject additional contributions to the contract or modify the promise in a way that contributions fully reflect the risk should be the basis for a definition of contract boundaries for IORPs, but the promise must be clearly stated to plan members.</p>	Noted.
281.	FSUG	Q5	<p>If this is the reality in most MS, then this approach could be used. However, the FSUG thinks that only a limited number of IORPs have</p>	Noted.

			explicitly defined an “unilateral” right to change the agreement. In most cases, this is a bilateral (multilateral) right of more partners, but too often not of the members (savers) themselves This is related to the often weak governance of IORPs where the members (savers) too often cannot designate their representatives to the governing bodies, and/or their representatives are only a minority in those governing bodies.	
282.	FVPK	Q5	<p>Do stakeholders think that unilateral rights (or obligations) of an IORP to terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk should be the basis for a definition of contract boundaries for IORPs? Are there cases where such rights (or obligations) should be the basis for a definition of contract boundaries for IORPs even though they are not unilateral rights (or obligations) of the IORP, but can be exercised unilaterally or jointly by other parties (possibly together with the IORP)?</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>In Austria there is – with few exeptions - a unilateral right of the to terminate the contract. This does not mean, that the pension benefits for the employee does not exist any more but that it has to be serviced by another IORP. The funds dedicated to cover the benefits are transferred to the new IORP. It does mean that the optional additional guarantees end (with the few exceptions).</p>	Noted.

			Therefore it has to be possible to include unilateral rights and contractual options by the IORP when determining the relevant cashflows. FVPK thinks that all cashflows to be paid by the IORP that can not be avoided by unilateral termination of the contract should be taken into account and those cashflows that can be avoided by unilateral termination of the contract must not be taken into account.	
283.	GDV	Q5	<p>Do stakeholders think that unilateral rights (or obligations) of an IORP to terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk should be the basis for a definition of contract boundaries for IORPs? Are there cases where such rights (or obligations) should be the basis for a definition of contract boundaries for IORPs even though they are not unilateral rights (or obligations) of the IORP, but can be exercised unilaterally or jointly by other parties (possibly together with the IORP)?</p> <p>For some schemes contradictions may arise between the contract boundaries as defined in the consultation paper and the unilateral rights of an IORP (see Q23 for instance). This is particularly the case when the IORP undertakes the commitment to implement occupational pension provision, however the exact level of contributions of the sponsor are not specified yet and can be adjusted according to the true risk.</p>	Noted.
284.	GE	Q5	Do stakeholders think that unilateral rights (or obligations) of an IORP to terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk should be the basis for a definition of contract boundaries for IORPs? Are there cases where such rights (or obligations) should be the basis for a definition	

			<p>of contract boundaries for IORPs even though they are not unilateral rights (or obligations) of the IORP, but can be exercised unilaterally or jointly by other parties (possibly together with the IORP)?</p> <p>The definition of contract boundaries (or any variation of this definition) should be expanded to include the rights of the sponsor as well as the IORP itself, as one or both may have the power to unilaterally or jointly terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk.</p>	<p>Partially agreed. Text revised as follows: The condition "d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits." was added.</p>
285.	GE Pension Trustees Limited	Q5	<p>Do stakeholders think that unilateral rights (or obligations) of an IORP to terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk should be the basis for a definition of contract boundaries for IORPs? Are there cases where such rights (or obligations) should be the basis for a definition of contract boundaries for IORPs even though they are not unilateral rights (or obligations) of the IORP, but can be exercised unilaterally or jointly by other parties (possibly together with the IORP)?</p> <p>The definition of contract boundaries (or any variation of this definition) should be expanded to include the rights of the sponsor as well as the IORP itself, as one or both may have the power to unilaterally or jointly terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or</p>	<p>Partially agreed. Text revised as follows: The condition "d. The future date where the sponsor or</p>

			<p>modify the promise in a way that contributions fully reflect the risk. These powers may be set out under the IORP's governing documentation or, in some cases, be provided through overriding local legislative requirements.</p>	<p>sponsors has a unilateral right to terminate future accrual of benefits." was added.</p>
287.	Heathrow Airport Limited	Q5	<p>Q5: Do stakeholders think that unilateral rights (or obligations) of an IORP to terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk should be the basis for a definition of contract boundaries for IORPs? Are there cases where such rights (or obligations) should be the basis for a definition of contract boundaries for IORPs even though they are not unilateral rights (or obligations) of the IORP, but can be exercised unilaterally or jointly by other parties (possibly together with the IORP)?</p> <p>Heathrow Airport is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</p> <p>This does not capture the situation in the UK where the power to terminate an IORP may also reside with the sponsoring employer (either solely or by agreement with the trustees of the IORP). Such arrangements should also be included in the definition.</p>	<p>Noted.</p> <p>Agreed. Text revised as follows: The condition "d. The future date where the sponsor or sponsors has a unilateral right to</p>

			It should be noted, however, that under UK legislation (section 67 of the Pensions Act 1995), it is not generally possible to modify benefits that have already accrued.	terminate future accrual of benefits.” was added.
288.	Hoechst-Gruppe VVaG	Q5	<p>No. In principle, the concept as described is not suited as basis for a definition of agreed boundaries for IORPs given the implications of the relevant social and labour law (cf. answer to Q1 and 4). However, where existent, it must be possible to include any unilateral rights and options agreed upon by the IORP when determining the relevant cashflows. If the rights and options can only be exercised if other stakeholders agree, there should be the option to include them if the agreement of the other stakeholders can be taken as a given. If applicable, especially the legal rights and possibilities of social partners should be taken into account.</p> <p>The answers to Q1 and Q4 were:</p> <p>There is typically no direct “contract” between the IORP and the member, as is typically the case for an insurance contract. The legal relationship may be indirect though, for example, it may be an agreement between the sponsor and the IORP or the employer and the member. See also EIOPA’s own “Mapping Exercise” under section 5.3. We understand that the issue of defining contract boundaries under Solvency II has been fraught with difficulties and has still not been finalized after many years of deliberations. We believe that these difficulties and potential for misunderstandings should not be transferred to IORPs.</p> <p>Starting with the premise that IORPs are not insurers, in particular they are not financial institutions, we suggest deriving the definition as</p>	Partially agreed. Text revised as follows: The condition “d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits.” was added.

			<p>to what benefits and contributions are to be included in the valuation of the TPs from first principles that are appropriate for IORPs. We would therefore suggest use a term such as “Boundaries of obligations and contributions” rather than “contract boundaries”. We think it is important to use a different name not only because of the reasons given in the consultation itself but also because of the fundamentally different nature of, for example, employer-owned IORPs and insurers.</p> <p>The Solvency II model fits insurance contracts, but it does not fit occupational pensions. This is the case because in occupational pensions the “boundaries” when and under which conditions the increase in entitlements may change or may be frozen are governed by social and labour law. This often involves all parties.</p> <p>We support the idea that the technical provisions should only include those contributions and benefits which are laid down in the agreed relationship between IORP and employee as well as between IORP and employer (4.24).</p> <p>We strongly disagree with Points 4.25 and 4.26. For IORPs it does not matter what the employer promised to the employee; the rules which matter for IORPs are the agreed fixed rules between the IORP and the relevant stakeholders. An adequate description of the risks carried by the IORP cannot be based on rules for which there is no agreement with the IORP.</p> <p>From our perspective, “risks building up for a promise to provide benefits of occupational retirement provision (primarily) via an IORP” is not at all a suitable approach for calculating adequate financial</p>	
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			resources for IORPs. We are concerned about Point 4.27 which relates the “promise to provide benefits” directly to the calculated cashflows. The second part of this paragraph rightly recognises that cashflows which have to be paid by the IORP should be included in the technical provisions. There is no basis for the inclusion of cash flows beyond this, in particular not for parts of the “promise” which are not or cannot be delivered by the IORP.	
289.	IFoA	Q5	We broadly support this approach - but with the important proviso that a joint exercise of rights should also be reflected in the “boundaries” (with the result that future service benefits would not be valued in the technical provisions for most UK schemes). The reason for this caveat is that, in the UK, sponsors are not obliged to provide their employees with benefits in a prescribed form (and thus, if there is no agreement on the benefits, an employer could dismiss and re-engage its workforce on revised future service benefits). This reinforces our position taken in response to Q4 - that the protection of future service rights naturally falls under social security and labour law, rather than under prudential regulation of IORPs.	Noted.
290.	IVS	Q5	<p>Yes to both questions. We understand and welcome that EIOPA is still working on exploring what may be relevant here (as per section 4.48). This would include taking account of social and labour law to the extent relevant.</p> <p>If another party, related in some form with the IORP, can exercise unilateral rights together with the IORP this should be treated equivalently.</p>	Partially agreed. Text revised as follows: The condition “d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits.” was added.
291.	Jane Marshall	Q5	As each UK scheme is governed by its own rules which sit alongside	Noted.

	Consulting		<p>general law and regulation, answering this question means a complex legal analysis of where each scheme sits. There is no point in this where domestic law and regulation provides a robust risk based framework .</p> <p>It should also be noted that UK schemes are not generally permitted to reduce accrued rights. The assumption that arises more than once in the paper, that this ability might enable liabilities to be reduced and make the holistic balance sheet more flexible than it would otherwise be, is incorrect as far as the UK is concerned.</p> <p>The same point relates to the termination of accrual or to benefit changes. There is often a requirement for trustee consent ,albeit that in practice trust law modifies the substance of this consent requirement.</p> <p>The result is that the prescriptive regulation envisaged may not realistically reflect the risk in a particular scheme. The impact of the valuation requirements suggested is therefore potentially more onerous for the UK than it may be in some other member states.</p>	
292.	NAPF	Q5	<p>Q5: Do stakeholders think that unilateral rights (or obligations) of an IORP to terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk should be the basis for a definition of contract boundaries for IORPs? Are there cases where such rights (or obligations) should be the basis for a definition of contract boundaries for IORPs even though they are not unilateral rights (or obligations) of the IORP, but can be exercised unilaterally or jointly by other parties (possibly together with the IORP)?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not</p>	Noted.

			<p>place undue burdens on workplace pension schemes.</p> <p>In the UK, the right to terminate an IORP may rest with the sponsoring employer or with the sponsor and scheme, so the issues raised in para 4.28 regarding the right to 'stop' or modify the promise are complex.</p> <p>It should also be noted that, in the UK, Section 67 of the Pensions Act 1995 protects accrued rights, so these cannot be modified or taken away by either the sponsor or IORP (except where actuarial equivalence is maintained or the individual member consents).</p> <p>There is a risk that, by incorporating the elements listed above in a definition of contract boundaries, the EU could unwittingly create a conflict between EU legislation and national provisions such as the Pension Protection Fund or the protection for accrued rights under Section 67.</p>	<p>Agreed. Text revised as follows: The condition "d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits." was added.</p>
295.	Otto Group	Q5	<p>No. In addition, the right to reject additional contributions does not stop the liability to pay benefits – so that point in time cannot be used for setting a contract boundary.</p> <p>Whether contributions fully reflect the risk is dependent on the measure. So it could occur a circular reasoning to base the definition of "contract boundaries" and then build up a risk measure on that.</p>	Noted.

296.	Pensioenfederatie	Q5	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>In the Netherlands IORPs do have the unilateral right to terminate the contract. We suggest that the “scope of agreement” should only take into account benefits accrued to date for capital requirements. Future in- and outgoing cash flows can be taken into account in a risk management tool of a “holistic framework”.</p>	Noted.
297.	PensionsEurope	Q5	<p>Do stakeholders think that unilateral rights (or obligations) of an IORP to terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk should be the basis for a definition of contract boundaries for IORPs? Are there cases where such rights (or obligations) should be the basis for a definition of contract boundaries for IORPs even though they are not unilateral rights (or obligations) of the IORP, but can be exercised unilaterally or jointly by other parties (possibly together with the IORP)?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European</p>	Noted.

			<p>level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>As stated in Q4, the unilateral right of an IORP to terminate the promise applies only in a couple of Member States. The concept behind this question appears to dismiss the fact that it is regularly the employer who makes the pension promise and, for this reason, it is up to the employer to have and exercise unilateral rights. Therefore, a starting point for defining “agreed boundaries” might also be the entitlement from the employer – which means that the employer has to be incorporated as a party.</p> <p>It must be possible to include unilateral rights and options agreed upon by the IORP when determining the relevant cashflows. If the rights and options can only be exercised if other stakeholders agree, there should be the option to include them if the agreement of the other stakeholders can be taken as a given.</p> <p>In addition, we note that the right to reject additional contributions does not automatically stop the liability to pay benefits – so that point in time cannot be used for setting a ‘contract boundary’. Whether contributions fully reflect the risk is dependent on the measure. So it could result in a circular reasoning to base the definition of ‘contract boundaries’ and then build up a risk measures on that.</p> <p>Therefore we think it is more appropriate to recognise cashflows only in respect of benefits accrued to date where some entity/person or</p>	<p>Partially agreed. Text revised as follows: The condition “d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits.” was added.</p>
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			<p>combination of parties (IORP, employer, social partners etc.) can terminate or amend the future accrual of benefits. Hence, the key question is whether the contract/agreement/pension promise can be ended or amended – not which party is involved. If so, whatever the procedure is to do so, future benefit accruals/contributions do not need to be considered for the technical provisions.</p> <p>If any form of capital requirements were to be included, we suggest that the “scope of agreement” should take into account only benefits accrued to date. Future in- and outgoing cash flows can be taken into account in a risk management tool of a “holistic framework”.</p>	
298.	Punter Southall	Q5	<p>We agree that unilateral rights (or obligations) of an IORP to terminate the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk should form part of the definition of contract boundaries for IORPs. However, where similar powers exist which can be exercised jointly or unilaterally by other parties (such as the sponsor), these should also form part of the definition.</p>	<p>Partially agreed. Text revised as follows: The condition “d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits.” was added.</p>
301.	RPTCL	Q5	<p>Additional cases that need to be taken into account here are any unilateral rights of other parties (such as the sponsor) as well as those of IORPs.</p>	<p>Agreed. Text revised as follows: The condition “d. The future date where the sponsor or sponsors has a unilateral right to</p>

				terminate future accrual of benefits.” was added.
302.	Siemens Pensionsfonds	Q5	<p>No. In addition, the right to reject additional contributions does not stop the liability to pay benefits – so that point in time cannot be used for setting a contract boundary.</p> <p>Whether contributions fully reflect the risk is dependent on the measure. So it could occur a circular reasoning to base the definition of “contract boundaries” and then build up a risk measure on that.</p>	Noted.
303.	Society of Pension Professionals	Q5	<p>Do stakeholders think that unilateral rights (or obligations) of an IORP to terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk should be the basis for a definition of contract boundaries for IORPs? Are there cases where such rights (or obligations) should be the basis for a definition of contract boundaries for IORPs even though they are not unilateral rights (or obligations) of the IORP, but can be exercised unilaterally or jointly by other parties (possibly together with the IORP)?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p>	Noted.

			<p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>Unilateral rights (or obligations) of an IORP to terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk should form part of the definition of contract boundaries for IORPs.</p> <p>Where similar powers under the governing documentation of the IORP can be exercised unilaterally or jointly by other parties (possibly together with the IORP), these should also form part of the definition. For example, such powers may rest with the sponsor or may be held jointly by the sponsor and the IORP.</p>	<p>Partially agreed. Text revised as follows: The condition "d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits." was added.</p>
305.	Towers Watson	Q5	<p>Do stakeholders think that unilateral rights (or obligations) of an IORP to terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk should be the basis for a definition of contract boundaries for IORPs? Are there cases where such rights (or obligations) should be the basis for a definition of contract boundaries for IORPs even though they are not unilateral rights (or obligations) of the IORP, but can be exercised unilaterally or jointly by other parties (possibly together with the IORP)?</p>	<p>Agreed. Text revised as follows: The condition "d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits." was added.</p>

			The definition of contract boundaries (or any variation of this definition) should be expanded to include the rights of the sponsor as well as the IORP itself, as one or both may have the power to unilaterally or jointly terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk.	
306.	United Utilities Group	Q5	<p>Q5: Do stakeholders think that unilateral rights (or obligations) of an IORP to terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk should be the basis for a definition of contract boundaries for IORPs? Are there cases where such rights (or obligations) should be the basis for a definition of contract boundaries for IORPs even though they are not unilateral rights (or obligations) of the IORP, but can be exercised unilaterally or jointly by other parties (possibly together with the IORP)?</p> <p>This does not capture the situation in the UK where the power to terminate an IORP may also reside with the sponsoring employer (either solely or by agreement with the trustees of the IORP). Such arrangements should also be included in the definition.</p> <p>It should be noted, however, that under UK legislation (section 67 of the Pensions Act 1995), it is not generally possible to modify benefits that have already accrued.</p>	<p>Agreed. Text revised as follows: The condition "d. The future date where the sponsor or sponsors has a unilateral right to terminate future accrual of benefits." was added.</p>
307.	ZVK-Bau	Q5	It might be the case that unilateral rights of an IORPs exist. If there are some they should be recognized on a case to case basis as mentioned before in our answer to Q4.	Noted.

308.	OPSG	Q6	<p>Along with the two ways described, the OPSG notes that liabilities can also arise from the single event of a person becoming a member of an IORP (e.g. if, immediately on joining, a member is entitled to a lump sum or dependant's pension should they die while a member, and the formula determining this lump sum or pension is independent of the member's length of service). Such benefits do not "build up due to continued service of the member", but the OPSG assumes that it was intended that the liabilities due to these benefits would come under this description 4.30.ii. The OPSG therefore suggests that the wording of this section is modified to make this explicit (or explicitly rule out such liabilities, if that is the intention).</p> <p>The OPSG notes that the definition proposed in 4.33 is intended to apply where the IORP does not have a unilateral right to cease or modify benefits and that the promise be recognised "on an ongoing basis" which the footnote explains means that the promise to pay benefits continues to exist as at the valuation date. The OPSG interprets this as meaning that unless the other parties who have a right to terminate/amend the benefits have done so by the valuation date, it should be assumed that accrual of benefits and payment of contributions continues on the basis applicable as at that date. If this is a correct interpretation, the OPSG would not agree with this approach as outlined above. Making this assumption would render meaningless the key powers retained to parties within trust or contract, to amend or terminate future accrual for reasons of affordability</p>	Noted.
309.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q6	We have not additions.	Noted.
310.	ACA	Q6	Yes.	Noted.

311.	Actuarial Association of Europe	Q6	Broadly yes.	Noted.
312.	AEIP	Q6	<p>AEIP does not believe that the HBS might serve as an adequate tool for prudential supervision.</p> <p>It should neither be used for capital requirements nor as an information tool towards scheme members. If any concrete use for the HBS should be sought, the HBS could possibly have a limited value as a risk management tool. However, it is still too complex for small and medium sized IORPs, and there are less complex (and more efficient) methods that might be used.</p> <p>AEIP answered all questions of the consultation despite of these doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>Yes, even though it should be pointed out that in some countries, such as in the Netherlands, the accrual of benefits is not conditional on the premiums being paid. It is the other way around: benefits are accrued, which should subsequently be serviced by premium payments. Thus, not the contribution payments are recognized in the technical provisions, but the new entitlements in the technical provisions. The corresponding contribution cashflows are added to the unconditional financial assets of the IORP.</p> <p>In addition, not all benefits “build up due to the continued service of the member”. For example, liabilities can arise from the single event of a person becoming a member of an IORP (e.g. if, immediately on joining, a member is entitled to a lump sum or to a dependant’s pension should they die while being a member, and the formula determining this lump sum or pension is independent of the member’s</p>	Noted.

			length of membership).	
313.	Aon Hewitt	Q6	We refer to the general principles in our response to Q1.	Noted.
314.	Association of Pension Lawyers	Q6	<p>1. Broadly speaking, yes we agree with the overview. It is also possible for additional liabilities to arise through legislative change. Normally these would relate to the valuation of liabilities (which is covered elsewhere in the consultation document). However, in some circumstances it can affect liabilities themselves.</p> <p>2. One example is in association with legislation on civil partnership, where additional liabilities in respect of civil partners (a new category of relationship) arose for schemes, as schemes were obliged to provide dependants' benefits for civil partners in line with those provided for members' spouses, with retrospection in respect of accruals from December 2005.</p>	Noted.
315.	BAPI	Q6	<p>Q6: Do stakeholders agree with the analysis above of the different ways of liabilities of IORPs arising?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI</p>	Noted.

			<p>answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>We believe the main criteria for accruing benefits is being affiliated to the pension scheme. Depending of the type of benefit scheme, benefits are accrued based on contributions, service accrual, or simply because someone is member.</p> <p>To recognize benefits for the technical provisions, we believe we should focus on the benefit promises at valuation date and not the benefit expectations at retirement date, which means we should at least include those benefits which are accrued at valuation date. Assuming the HBS is used as a risk management tool, an additional layer with projected benefits might add interesting information, but we believe this is a nice to have for those who can afford this more complex exercise, as said before, the focus should be on the accrued benefits.</p>	
316.	BASF SE	Q6	<p>Liabilities of the IORP arise by the employer promising the entitlement to benefits. This very important fact of a dependency on an employer employee relationship should be kept in mind. However, it must be noted that not all parts of an employers pension promise may be financed by IORPs. Due to, mostly tax requirements and specific legal conditions, parts of the pension promise may be financed outside the IORP.</p>	Noted.
317.	Compass Group PLC	Q6	<p>Q6: Do stakeholders agree with the analysis above of the different ways of liabilities of IORPs arising?</p>	
318.	D & L Scott	Q6	<p>I do not agree with the analysis as it fails to take into account the investment income and other returns to be made from investing the</p>	Noted.

			contributions received. I also cannot reconcile the treatment of sponsor support with a trust-based IORP where the contributions and capital entrusted are pooled whether received from sponsors or from active members.	
319.	FFSA	Q6	<p>Yes.</p> <p>Section 4.2.5 Relation of contribution / benefits shows how contributions / benefits relationship for IORP can be different from that of insurance contracts, since even acquired rights may require future additional funding.</p> <p>It shows how SCR calculation's horizon of a one year period is inappropriate for pensions.</p>	Noted.
320.	FVPK	Q6	<p>Do stakeholders agree with the analysis above of the different ways of liabilities of IORPs arising?</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>As the only liabilities of an Austrian IORP arise from optional additional guarantees and not from the benefits covered by the funds liabilities do not arise from the contributions paid to build up those funds. Usually the optional additional guarantees are financed by special types of administration fees calculated as a yearly percentage of assets (e.g. 0.2% per year). For one type of guarantee these administration fees are limited by law. So FVPK does not think contributions are the correct starting point. FVPK thinks that giving the promise is the starting point and that liabilities arising from this</p>	Noted.

			promise have to be measured correctly. To implement a correct measurement it might be necessary to calculate contributions to the dedicated funds as the amount of the guarantee may depend on the amount of the fund.	
321.	GDV	Q6	Do stakeholders agree with the analysis above of the different ways of liabilities of IORPs arising?	
323.	Heathrow Airport Limited	Q6	Q6: Do stakeholders agree with the analysis above of the different ways of liabilities of IORPs arising?	
324.	Hoechst-Gruppe VVaG	Q6	We have not additions.	Noted.
325.	IFoA	Q6	<p>We would argue that the analysis is incomplete, as some benefits do not accumulate with contributions or service: for example, lump sum death benefits and ill-health pensions. Moreover, in some cases the benefit amount, or the eligibility to the benefit, is controlled by another party (such as the actuary or a medical adviser). In addition, there are some circumstances in which the sponsor has a right to alter the benefits.</p> <p>We agree that the suggestion in paragraph 4.34 that contributions in respect of funding deficits should be recognised as part of the assets in the HBS.</p>	Noted.
326.	IVS	Q6	Broadly yes. We think the point made in the definition 4.46 (b), namely that liabilities arising for reasons other than payment of contributions is important and typically a characteristic of many	Noted.

			IORPs.	
327.	Jane Marshall Consulting	Q6	Liabilities of IORPS arise in different ways. The consultation paper is right in its analysis.	Noted.
328.	NAPF	Q6	<p>Q6: Do stakeholders agree with the analysis above of the different ways of liabilities of IORPs arising?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>Para 4.30.i is accurate in terms of DC schemes.</p> <p>Para 4.30.ii is accurate in terms of DB pension schemes, where (as para 4.30.ii explains), benefits accrue in relation to service, rather than in relation to contributions</p> <p>EIOPA should note that DB pension schemes come in more than one form. In addition to traditional DB, where the IORP pays a retirement income to the member, there is also 'cash balance', where the member accrues a defined lump sum, which they then use to fund their retirement income as they choose. This kind of arrangement also falls within the terms described in para 4.30.ii.</p>	Noted.

330.	Pensioenfederatie	Q6	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>Not entirely. In the Netherlands, the accrual of benefits is not conditional on the paid premiums . It is the other way around: benefits are accrued and should subsequently be serviced by premium payments. Thus, new pension entitlements are recognised in the technical provisions and not contribution payments. . The corresponding contribution cashflows are added to the unconditional financial assets of the IORP.</p> <p>In addition, not all benefits built up due to the continued service of the participants. For example, liabilities can arise from the single event of a person becoming a member of an IORP (e.g. if, immediately when joining, a participant is entitled to a lump sum or to a dependant's pension in case they die while being a participant and the formula determining this lump sum or pension is independent of the member's length of membership).</p>	Noted.
331.	PensionsEurope	Q6	Do stakeholders agree with the analysis above of the different ways of liabilities of IORPs arising?	

			<p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>Not entirely. Even if we agree that liabilities of the IORP arise from the employer promising the entitlement of benefits. Note that in the Member States such as the Netherlands, the accrual of benefits is not conditional on the premiums being paid. It is the other way around: benefits are accrued, which should subsequently be serviced by premium payments. Thus, not the contribution payments are recognized in the technical provisions, but the new entitlements in the technical provisions. The corresponding contribution cashflows are added to the unconditional financial assets of the IORP.</p> <p>In addition, we note that not all benefits “build up due to the continued service of the member”. For example, liabilities can arise from the single event of a person becoming a member of an IORP (e.g. if, immediately on joining, a member is entitled to a lump sum or to a dependant’s pension should they die while being a member, and the formula determining this lump sum or pension is independent of the member’s length of membership).</p>	Noted.
334.	RPTCL	Q6	Liabilities can arise in various ways depending on the rules of the IORP	Noted.

			and, although it would cover most scenarios, the analysis is potentially an over-simplification. Consequently, it may be overly rigid to express liability scenarios in these terms.	
335.	Society of Pension Professionals	Q6	<p>Do stakeholders agree with the analysis above of the different ways of liabilities of IORPs arising?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>Yes.</p>	Noted.
337.	Towers Watson	Q6	<p>Do stakeholders agree with the analysis above of the different ways of liabilities of IORPs arising?</p> <p>Yes.</p>	Noted.
338.	United Utilities Group	Q6	Q6: Do stakeholders agree with the analysis above of the different ways of liabilities of IORPs arising?	

339.	ZVK-Bau	Q6	We would like to hint at the possibility of schemes where a multitude of employers share the responsibility to provide an industry-wide calculated pension based on collective equivalence – meaning that there are no individual accounts and the industry-wide contribution is set in a way to cover the industry-wide benefit – that due to solidarity aspects individual rights may build up which are financed collectively.	Noted.
340.	OPSG	Q7	Yes. There may be practical difficulties identifying the difference between the two types of contributions in some circumstances e.g. where contributions are determined on a smoothed basis (as for example in the Netherlands). More generally, the distinction would depend on the assumption basis used to value the liabilities so it would be possible for the same future contribution cashflows to be split differently depending on the basis used to value the accrued liabilities.	Noted.
341.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q7	The technical provisions should only include incoming cashflows which are already agreed or where the contribution party has a unilateral right to pay these contributions. From an actuarial perspective there is no need to distinguish between regular contributions and special contributions, for example by the sponsor, but there may be other reasons for a distinction (e.g. tax treatment). Of course this should be clearly distinguished from future contributions by the sponsor which have not yet been agreed upon. If members pay contributions, they must of course be kept separately.	Noted.
342.	Actuarial Association of Europe	Q7	Yes. However, sometimes this may be difficult in practice, since there is not always a clear and simple relationship between contributions and benefits (see 4.31).	Noted.
343.	AEIP	Q7	AEIP does not believe that the HBS might serve as an adequate tool for prudential supervision.	Noted.

			<p>It should neither be used for capital requirements nor as an information tool towards scheme members. If any concrete use for the HBS should be sought, the HBS could possibly have a limited value as a risk management tool. However, it is still too complex for small and medium sized IORPs, and there are less complex (and more efficient) methods that might be used.</p> <p>AEIP answered all questions of the consultation despite of these doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>Yes, even though this distinction might be too simplistic.</p> <p>For capital requirements we suggest that the “scope of agreement” should only take into account benefits accrued to date. Future in- and outgoing cash flows can be taken into account in a risk management tool of the “holistic framework”. This concept could take into account all steering- and adjustment mechanisms of a pension fund, but not necessarily in the form of a (holistic) balance sheet. Contributions that fully reflect new risks could be excluded from the “scope of agreement” of the “holistic framework”. If contributions are not sufficient or too high to cover newly accrued benefits, this could be labelled as ‘sponsor support’ (negative or positive) and could be separately placed in the holistic framework.</p> <p>Regarding the practicality of such a distinction, we have several questions. The definition of ‘fully reflect new risks’ still needs to be clarified. In the holistic framework the horizon should not be infinite for practicality reasons, and the increasing uncertainty at longer horizons.</p> <p>In addition, distinction between “regular contributions” and “sponsor</p>	
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			support” can be complex and may not be material: for example if the contributions are fixed for a few years, but based on an estimation that they will fully reflect the risks, and by time the estimate and realization start to differ slightly. The question is whether the probability will be taken into account that the contributions are not paid by the sponsor. Furthermore it has to be clarified how to estimate these probabilities? One could also think about the case that if the sponsor is not able to pay the contributions anymore, the business will close and therefore there will be no new benefits.	
344.	AGV Chemie	Q7	Yes. Especially, when there are contributions of the members that could not be included in sponsor support. In order to treat member and employer contributions in a consistent way (they are often linked with each other), there should be the described distinction.	Noted.
345.	Aon Hewitt	Q7	We refer to the general principles in our response to Q1; Distinctions should also be made to contributions to cover future benefit accrual and future administration expenses; contributions to meet deficits or shortfalls under a recovery plan; and one-off contributions in respect of transfer payments to and from other IORPs.	Noted.
346.	Association of Pension Lawyers	Q7	<p>1. A distinction between incoming cash-flows as “regular contributions” and sponsor support would be difficult to achieve in practice for the following reasons. Currently, for the purposes of the funding regime, UK defined benefit occupational pension schemes have to take into account risks across the key strands of covenant, funding and investment, with emphasis on how the strands interact, so that risks can be rebalanced where necessary. The employer covenant therefore forms part of the funding regime and is taken into account when determining the approach to calculating and financing the scheme’s technical provisions.</p> <p>2. It would be very difficult to place a value on which the</p>	Noted.

			<p>employer's covenant is available to the scheme managers. This will be, at best, an extremely complex exercise. Even in the simple case where there is a single sponsoring employer, the employer's "spare capital" is likely to have prior calls on it, some contractually constrained and others tied to the needs of shareholders and internal business plans. There are more complications in the case of schemes with more than one sponsoring employer.</p> <p>3. Also, quite reasonably, there is a requirement for asset valuations to be "market consistent". In the case of employer covenant, there is no market, so the best to hope for is "mark to model" but corporate finance models are generally not transparent and incorporate many subjective elements. For example, in some cases, it might be possible to use bond spreads or the costs of credit default spreads to form the basis of a model but these only reflect the specific bond holder's positions, which will be very different from that of the IORP.</p> <p>4. Treating sponsor support differently also raises the question of whether disposal of assets by sponsors would be restricted.</p> <p>5. In should also be kept in mind that most contributions being paid into UK IORPs are now purely being made in order to improve funding levels, not because any further benefits are being accrued. Added to which, these contributions will vary depending on the financial strength of the sponsor and its ability to fund the IORP.</p>	
347.	BAPI	Q7	<p>Q7: Do stakeholders think that there should be a distinction between incoming cash-flows which are considered as "regular contributions" to finance (the accrual of) benefits on the one hand and sponsor support on the other hand? What is the view of stakeholders regarding the practicality of such a distinction?</p> <p>BAPI states there is no need for the HBS to set funding and capital</p>	

			<p>requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>In case of projected benefits, incoming contributions have to be taken into account. Although it will not be that easy from a practical point of view, we agree it makes sense to make a split between future contributions linked with future accrual, which should be recognized in the technical provisions and other contributions which should be recognized as an asset namely a type of sponsor support. Please note we believe these other contributions can only be taken into account if they are part of an agreement and can be seen as fixed until agreed differently e.g. as defined in a financing plan.</p>	Noted.
348.	BASF SE	Q7	Yes. Especially, when there are contributions of the members they could not be included in sponsor support. In order to treat member and employer contributions in a consistent way (often they are linked with each other), there should be the described distinction.	Noted.
349.	BDA	Q7	Yes. Especially, when there are contributions of the members that could not be included in sponsor support. In order to treat member	Noted.

			and employer contributions in a consistent way (they are often linked with each other), there should be the described distinction.	
350.	Better Finance	Q7	Better Finance thinks there should be a clear distinction between these two things. Regular contributions are main part of an agreement, however the sponsor support is expected to be used only in special occasions, which should imply a different methodology of calculations and valuations. In the second case, credit risk arising from the position of a sponsor should be taken into account. If a sponsor support is called up, usually the environment is not favorable for both IORP and a sponsor. Therefore, the valuation of sponsor support should take into account these risks.	Noted.
351.	Compass Group PLC	Q7	Q7: Do stakeholders think that there should be a distinction between incoming cash-flows which are considered as "regular contributions" to finance (the accrual of) benefits on the one hand and sponsor support on the other hand? What is the view of stakeholders regarding the practicality of such a distinction?	
352.	D & L Scott	Q7	I do not agree with the need for the distinction in a trust-based IORP. I also repeat the omission of expected investment income and other sources of investment return from the underlying analysis.	Noted.
353.	EEF	Q7	In the UK there is a well-established conceptual distinction between regular contributions financing the accrual of benefits and sponsor contributions under a deficit-reduction plan. It would be important to continue making the distinction.	Noted.
354.	Eversheds LLP	Q7	Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.	Noted.

			Yes, we think that this is an important distinction.	
355.	Evonik Industries AG	Q7	Yes. Especially, when there are contributions of the members that could not be included in sponsor support. In order to treat member and employer contributions in a consistent way (they are often linked with each other), there should be the described distinction.	Noted.
356.	FFSA	Q7	Yes	Noted.
357.	FSUG	Q7	The FSUG thinks there should be a clear distinction between these two things. Regular contributions are main part of an agreement; however the sponsor support is expected to be used only in special occasions, which should imply a different methodology of calculations and valuations. In the second case, credit risk arising from the position of a sponsor should be taken into account. If a sponsor support is called upon, usually the environment is not favorable for both IORP and a sponsor. Therefore, the valuation of sponsor support should take into account these risks.	Noted.
358.	FVPK	Q7	<p>Do stakeholders think that there should be a distinction between incoming cash-flows which are considered as “regular contributions” to finance (the accrual of) benefits on the one hand and sponsor support on the other hand? What is the view of stakeholders regarding the practicality of such a distinction?</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p>	Noted.

			<p>As stated in Q5 it is the view of FVPK that incoming cash-flows do not immediately result in a liability. Despite of this it could be necessary to have a different look on “regular contributions” and on “sponsor support” as there is the possibility that the IORP covers it’s optional additional guarantees by sponsor support.</p> <p>But we have two different kinds of sponsor support. There is sponsor support helping the funds dedicated to pay the benefits to reach an agreed level of coverage, without an existing promise of the IORP; the sponsor support is agreed upon between employer and employee and becomes part of the administration agreement between employer and IORP. And there is the second type of sponsor support helping to the IORP to cover the optional additional guarantees. This sponsor support has to be taken into account by the IORP.</p>	
359.	GDV	Q7	<p>Do stakeholders think that there should be a distinction between incoming cash-flows which are considered as “regular contributions” to finance (the accrual of) benefits on the one hand and sponsor support on the other hand? What is the view of stakeholders regarding the practicality of such a distinction?</p> <p>Yes, there should be a distinction. The distinction is important since sponsor support is not meant to directly finance the (accrual of) benefits.</p>	Noted.
361.	Heathrow Airport Limited	Q7	Q7: Do stakeholders think that there should be a distinction between incoming cash-flows which are considered as “regular contributions” to finance (the accrual of) benefits on the one hand and sponsor support	

			on the other hand? What is the view of stakeholders regarding the practicality of such a distinction?	
362.	Hoechst-Gruppe VVaG	Q7	The technical provisions should only include incoming cashflows which are already agreed or where the contribution party has a unilateral right to pay these contributions. From an actuarial perspective there is no need to distinguish between regular contributions and special contributions, for example by the sponsor, but there may be other reasons for a distinction (e.g. tax treatment). Of course this should be clearly distinguished from future contributions by the sponsor which have not yet been agreed upon. If members pay contributions, they must of course be kept separately.	Noted.
363.	IFoA	Q7	It would not be straightforward to make this distinction because the disclosed split of contributions will generally not align to the economic split. The economic cost of accrual will generally not equal the contributions payable for accrual and will change continuously with market conditions over time.	Noted.
364.	IVS	Q7	Yes. However, sometimes this may be difficult in practice, since there is not always a clear and simple relationship between contributions and benefits (see 4.31). There may also be other sorts of benefits or contributions paid, such as transfers-out payments to other funds or transfers-in.	Noted.
365.	Jane Marshall Consulting	Q7	No.	Noted.
366.	NAPF	Q7	Q7: Do stakeholders think that there should be a distinction between incoming cash-flows which are considered as "regular contributions" to finance (the accrual of) benefits on the one hand and sponsor support on the other hand? What is the view of stakeholders regarding the	

			<p>practicality of such a distinction?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>Yes, it is standard practice to distinguish between regular employer contributions and recovery plan payments intended to bring the scheme back to balance over the medium term.</p>	Noted.
369.	Otto Group	Q7	<p>Yes. Especially, when there are contributions of the members that could not be included in sponsor support. In order to treat member and employer contributions in a consistent way (they are often linked with each other), there should be the described distinction.</p>	Noted.
370.	Pensioenfederatie	Q7	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes.. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>Yes. As for capital requirements, we suggest that the "scope of</p>	Noted.

			<p>agreement” should only take into account benefits accrued to date. Future in- and outgoing cash flows can be considered in a risk management tool within the “holistic framework”. This concept could include all steering- and adjustment mechanisms of a pension fund, but not necessarily in the form of a (holistic) balance sheet. Contributions that fully reflect new risks could be excluded from the “scope of agreement” of the “holistic framework”. If contributions are not sufficient or too high to cover newly accrued benefits, this could be labelled as ‘sponsor support’ (negative or positive) and could be placed separately in the “holistic framework”.</p> <p>Regarding the practicality of such a distinction, we have several questions: The definition of ‘fully reflect new risks’ still needs to be clarified. In the “holistic framework”, the horizon should not be infinite for practical reasons, and increase uncertainty when longer horizons are used.</p> <p>In addition, the distinction between “regular contributions” and “sponsor support” can be complex and may not be material: for example, the contributions are fixed for a few years, based on the estimation that they will fully reflect the risks, but in time the estimate and realization start to differ slightly. The question is, whether the probability will be taken into account that no contributions are paid by the sponsor. Furthermore, how to estimate these probabilities needs to be clarified. One could also think about the case that if the sponsor is not able to pay the contributions anymore, the business will close and therefore there will be no new benefits.</p>	
371.	PensionsEurope	Q7	<p>Do stakeholders think that there should be a distinction between incoming cash-flows which are considered as “regular contributions” to finance (the accrual of) benefits on the one hand and sponsor support</p>	

			<p>on the other hand? What is the view of stakeholders regarding the practicality of such a distinction?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>Yes.</p> <p>The technical provisions should only include incoming cashflows which are already agreed or where the contribution party has a unilateral right to pay these contributions. Also, especially, when there are contributions of the members they could not be included in sponsor support. In order to treat member and employer contributions in a consistent way (often they are linked with each other), there should be the described distinction.</p> <p>PensionsEurope notes it is standard practice to distinguish between regular employer contributions and recovery plan payments intended to bring the scheme back to balance over the medium term. However, regarding the practicality of such a distinction, we have several remarks:</p>	Noted.
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			<ul style="list-style-type: none"> - The definition of 'fully reflect new risks' still needs to be clarified. In the holistic framework the horizon should not be infinite for practicality reasons, and the increasing uncertainty at longer horizons. - In addition, distinction between "regular contributions" and "sponsor support" can be complex and may not be material: for example if the contributions are fixed for a few years, but based on an estimation that they will fully reflect the risks, and by time the estimate and realization start to differ slightly. The question is whether the probability will be taken into account that the contributions are not paid by the sponsor. Furthermore it has to be clarified how to estimate these probabilities? One could also think about the case that if the sponsor is not able to pay the contributions anymore, the business will close and therefore there will be no new benefits? <p>For capital requirements we suggest that the "scope of agreement" should only take into account benefits accrued to date. Future in- and outgoing cash flows can be taken into account in a risk management tool of the "holistic framework". Contributions that fully reflect new risks could be excluded from the "scope of agreement" of the "holistic framework". If contributions are not sufficient or too high to cover newly accrued benefits, this could be labelled as 'sponsor support' (negative or positive) and could be separately placed in the holistic framework.</p>	
374.	RPTCL	Q7	<p>The nature of funding IORPs is such that making an accurate assessment of "regular contributions" will be in constant flux depending, for example, on investment market conditions and developments in longevity expectations. From a practical perspective, focus is generally given to the overall contribution rate calculated at</p>	Noted.

			<p>each actuarial valuation (taking account of the market value of assets) and any shortfall addressed through a recovery plan agreed with the sponsor, taking account of reasonable sponsor affordability.</p> <p>Therefore contributions to IORPS are not always considered in the terms of “regular contributions” and sponsor support by sponsors and members (as focus is made on the aggregate rate) and there may be practical difficulties in doing so. These issues aside, the proposed distinction is acceptable, assuming there is a need for such a distinction.</p>	
375.	Siemens Pensionsfonds	Q7	<p>Yes. Especially, when there are contributions of the members that could not be included in sponsor support. In order to treat member and employer contributions in a consistent way (they are often linked with each other), there should be the described distinction.</p>	Noted.
376.	Society of Pension Professionals	Q7	<p>Do stakeholders think that there should be a distinction between incoming cash-flows which are considered as “regular contributions” to finance (the accrual of) benefits on the one hand and sponsor support on the other hand? What is the view of stakeholders regarding the practicality of such a distinction?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the</p>	Noted.

			<p>EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>Defined benefit plans in the UK generally distinguish between « regular contributions » to finance the accrual of benefits during the year and additional contributions paid by the sponsor to fund the benefits accrued in prior periods. A distinction could therefore be made in terms of incoming cash flows to the IORP.</p> <p>It is not clear how transfers of accrued benefit entitlements from one IORP to another should be taken account of. Would such cash flows be assigned to the « regular contributions » category or would a separate category be required?</p>	
378.	Towers Watson	Q7	<p>Do stakeholders think that there should be a distinction between incoming cash-flows which are considered as “regular contributions” to finance (the accrual of) benefits on the one hand and sponsor support on the other hand? What is the view of stakeholders regarding the practicality of such a distinction?</p> <p>Such a distinction is possible. Within the UK, contributions to repair any accrued rights deficit is identified separately. However, consideration would need to be given to all circumstances – there is not necessarily a simple divide e.g. where there is a surplus or where transfers are accepted. In the Netherlands, however, this is not necessarily the case and regular contributions can be considered part of sponsor support.</p>	Noted.

379.	United Utilities Group	Q7	Q7: Do stakeholders think that there should be a distinction between incoming cash-flows which are considered as “regular contributions” to finance (the accrual of) benefits on the one hand and sponsor support on the other hand? What is the view of stakeholders regarding the practicality of such a distinction?	
380.	ZVK-Bau	Q7	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes, if the sponsor support related cash flows are paid without obligation e.g. for security reasons.	Noted.
381.	OPSG	Q8	No. For the avoidance of doubt, the OPSG is taking “regular contributions” to mean those required to finance the ongoing accrual of benefits and not contributions (which may be regular in the normal meaning of the word) due to be paid in the future to amortize a deficit or surplus arising on past service. In this case (assuming the contract boundary relates to past service), the OPSG would envisage that future “regular contributions” would relate to benefits that are outside the contract boundary, and therefore they should not be recognised in the HBS. The OPSG would agree that the present value of the future promised contributions that are not to fund accrual of future benefits (but are based on the current funding position of the IORP) should be treated as sponsor support. The OPSG notes that the part of future contributions calculated to fund risk benefits (i.e. those benefits that do not accrue due to contributions paid or continued member service) would here be treated as “regular contributions” and so be excluded from the technical provisions.	Noted.
382.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q8	Yes. But still already agreed upon payments by the sponsor, for example as part of a recovery plan, can be, depending on their characteristics, part of the technical provisions or own funds.	Noted.
383.	Actuarial Association of Europe	Q8	Yes.	Noted.

384.	AEIP	Q8	<p>AEIP does not believe that the HBS might serve as an adequate tool for prudential supervision.</p> <p>It should neither be used for capital requirements nor as an information tool towards scheme members. If any concrete use for the HBS should be sought, the HBS could possibly have a limited value as a risk management tool. However, it is still too complex for small and medium sized IORPs, and there are less complex (and more efficient) methods that might be used.</p> <p>AEIP answered all questions of the consultation despite of these doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>Yes, even though this distinction might be too simplistic.</p> <p>For capital requirements we suggest that the “scope of agreement” should only take into account benefits accrued to date. Future in- and outgoing cash flows can be taken into account in a risk management tool of the “holistic framework”. This concept could take into account all steering- and adjustment mechanisms of a pension fund, but not necessarily in the form of a (holistic) balance sheet. Contributions that fully reflect new risks could be excluded from the “scope of agreement” of the “holistic framework”. If contributions are not sufficient or too high to cover newly accrued benefits, this could be labelled as ‘sponsor support’ (negative or positive) and could be separately placed in the holistic framework.</p> <p>Regarding the practicality of such a distinction, we have several questions. The definition of ‘fully reflect new risks’ still needs to be clarified. In the holistic framework the horizon should not be infinite for practicality reasons, and the increasing uncertainty at longer</p>	Noted.
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			<p>horizons.</p> <p>In addition, distinction between “regular contributions” and “sponsor support” can be complex and may not be material: for example if the contributions are fixed for a few years, but based on an estimation that they will fully reflect the risks, and by time the estimate and realization start to differ slightly. The question is whether the probability will be taken into account that the contributions are not paid by the sponsor. Furthermore it has to be clarified how to estimate these probabilities? One could also think about the case that if the sponsor is not able to pay the contributions anymore, the business will close and therefore there will be no new benefits.</p>	
385.	AGV Chemie	Q8	Yes	Noted.
386.	Aon Hewitt	Q8	We refer to the general principles in our response to Q1.	Noted.
387.	Association of Pension Lawyers	Q8	<p>1. We think that a distinction would be difficult to achieve in practice.</p> <p>2. We are also confused by the reference in the question to regular contributions being recognised in technical provisions. We assume that technical provisions has the same meaning here as it does in the IORP Directive, in which case an IORP’s technical provisions are its liabilities – i.e. the expected future cash-flow out of the IORP to its beneficiaries. Regular contributions are presumably an asset, not a liability, and so have no place in the technical provision calculation.</p>	Noted.
388.	BAPI	Q8	Q8: Do stakeholders agree, that, if there was a distinction as described in question Q7, “regular contributions” should be recognized in technical provisions while sponsor support should be treated separately?	

			<p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>In case future accruals would be part of the HBS, we agree it makes sense to recognize regular contributions as technical provisions and other as sponsor support.</p>	Noted.
389.	BASF SE	Q8	Yes.	Noted.
390.	BDA	Q8	Yes	Noted.
391.	Better Finance	Q8	Yes.	Noted.
392.	Compass Group PLC	Q8	Q8: Do stakeholders agree, that, if there was a distinction as described in question Q7, "regular contributions" should be recognised in technical provisions while sponsor support should be treated separately?	
393.	D & L Scott	Q8	Not applicable, as I do not agree with the proposed distinction.	Noted.
394.	EEF	Q8	Yes - see our answer to Q7.	Noted.

395.	Eversheds LLP	Q8	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>Yes.</p>	Noted.
396.	Evonik Industries AG	Q8	Yes	Noted.
397.	FFSA	Q8	Yes in principle “regular contributions” should be recognised in technical provisions and sponsor support should be treated separately.	Noted.
398.	FSUG	Q8	Yes.	Noted.
399.	FVPK	Q8	<p>Do stakeholders agree, that, if there was a distinction as described in question Q7, “regular contributions” should be recognised in technical provisions while sponsor support should be treated separately?</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>No. FVPK thinks that the promise of the IORP should be the starting point.</p>	Noted.
400.	GDV	Q8	Do stakeholders agree, that, if there was a distinction as described in question Q7, “regular contributions” should be recognised in technical	

			<p>provisions while sponsor support should be treated separately?</p> <p>Under the consideration of risks related to activities of IORPs related to the scheme, it makes sense to recognise “regular contributions” in technical provisions while sponsor support would be treated separately. Then, an IORP without sponsor support would recognise the same cash-flows in technical provisions as an IORP with sponsor support.</p> <p>However, the boundaries of “regular contributions” are not clear. For example, for German Pensionsfonds the payment of the employer should be not considered as a sponsor support in case of underfunding but rather as contractually agreed additional payments made by the sponsor.</p>	Noted.
402.	Heathrow Airport Limited	Q8	Q8: Do stakeholders agree, that, if there was a distinction as described in question Q7, “regular contributions” should be recognised in technical provisions while sponsor support should be treated separately?	
403.	Hoechst-Gruppe VVaG	Q8	Yes. But still already agreed upon payments by the sponsor, for example as part of a recovery plan, can be, depending on their characteristics, part of the technical provisions or own funds.	Noted.
404.	IFoA	Q8	We believe that, for UK schemes, future “regular contributions” should, in general, relate to benefits that are outside the contract boundary and should not be recognised in the HBS. We would support the recognition of other contributions as sponsor support.	Noted.

405.	IVS	Q8	Yes.	Noted.
406.	Jane Marshall Consulting	Q8	No.	Noted.
407.	NAPF	Q8	<p>Q8: Do stakeholders agree, that, if there was a distinction as described in question Q7, “regular contributions” should be recognised in technical provisions while sponsor support should be treated separately?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>The NAPF would agree with this distinction.</p>	Noted.
410.	Otto Group	Q8	Yes	Noted.
411.	Pensioenfederatie	Q8	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes.. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts in order to provide our constructive input to the works of EIOPA.</p>	Noted.

			<p>For capital requirements, we suggest that the “scope of agreement” should only take into account benefits accrued to date. Future in- and outgoing cash flows can be considered in a risk management tool of a “holistic framework”. For the Dutch case, the accrued benefits should be recognised in the technical provisions. The part of contributions that covers these benefits should be recognised as financial assets, and the surplus/shortfall in contribution payments should be recognized in the sponsor support.</p>	
412.	PensionsEurope	Q8	<p>Do stakeholders agree, that, if there was a distinction as described in question Q7, “regular contributions” should be recognised in technical provisions while sponsor support should be treated separately?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>Yes.</p> <p>But still already agreed payments by the sponsor, for example as part of a recovery plan, can be, depending on their characteristics, part of the technical provisions or own funds.</p>	Noted.

415.	RPTCL	Q8	<p>The nature of funding IORPs is such that making an accurate assessment of “regular contributions” will be in constant flux depending, for example, on investment market conditions and developments in longevity expectations. From a practical perspective, focus is generally given to the overall contribution rate calculated at each actuarial valuation (taking account of the market value of assets) and any shortfall addressed through a recovery plan agreed with the sponsor, taking account of reasonable sponsor affordability.</p> <p>Therefore contributions to IORPS are not always considered in the terms of “regular contributions” and sponsor support by sponsors and members (as focus is made on the aggregate rate) and there may be practical difficulties in doing so.</p> <p>However, if these practical difficulties could be overcome, we believe that it would be appropriate for “regular contributions” to be recognised in technical provisions with other contributions being considered separately. However, this approach may not be suitable where liabilities build up due to continued service, as increases in technical provisions should be based on changes in the benefits accrued. In addition, we believe that account needs to be made of the scenario whereby the payments made by the sponsor (whether they are regular contributions or not) serves to limit the availability of future contributions, whilst recognising that contributions received provide more certainty to an IORP than contributions promised.</p>	Noted.
416.	Siemens Pensionsfonds	Q8	Yes	Noted.
417.	Society of Pension Professionals	Q8	Do stakeholders agree, that, if there was a distinction as described in question Q7, “regular contributions” should be recognised in technical provisions while sponsor support should be treated separately?	

			<p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>As the technical provisions are a measure of the value of the IORP's liabilities, recognising « regular contributions » within the technical provisions and showing « sponsor support » separately would appear only to be practical where contributions are paid into the IORP that lead to a liability arising in the IORP (as described in 4.30.i. of the Consultation Paper).</p> <p>Where liabilities build up due to continued service (as described in 4.30.ii. of the Consultation Paper) rather than linked directly to the amount of contributions paid, technical provisions would more intuitively be calculated by reference to the benefits accrued rather than the amount of « regular contributions » paid.</p>	Noted.
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419.	Towers Watson	Q8	<p>Do stakeholders agree, that, if there was a distinction as described in question Q7, “regular contributions” should be recognised in technical provisions while sponsor support should be treated separately?</p> <p>Not where liabilities build up due to continued service (paragraph 4.30.ii. of the Consultation Paper), as is the case in many UK defined benefit IORPs. In such circumstances, technical provisions should be calculated by reference to the benefits accrued.</p>	Noted.
420.	United Utilities Group	Q8	Q8: Do stakeholders agree, that, if there was a distinction as described in question Q7, “regular contributions” should be recognised in technical provisions while sponsor support should be treated separately?	
421.	ZVK-Bau	Q8	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes.	Noted.
422.	OPSG	Q9	Yes, the OPSG agrees that the present value of potential future payments from the IORP to the sponsor should not be included in the technical provisions. The OPSG suggests they should be shown either as a reduction of sponsor support in the assets, provided the value of the refunds to the sponsor is smaller than the value of the sponsor support or separately on the HBS as a claim on the IORP and therefore as a (conditional) liability. A refund of surplus to the employer is very unlikely to arise in practice and may not be permitted under the rules of the IORP or by legislation in any case.	Noted.
423.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q9	If the payments are agreed upon and the IORP is obliged to such payments, these payments should be treated like comparable payments towards the employees.	Noted.
424.	ACA	Q9	Yes.	Noted.
425.	Actuarial Association of	Q9	Yes. We suggest in a separate, to be defined position in the HBS (e.g.	Noted.

	Europe		« surplus due to employer »)	
426.	AEIP	Q9	<p>AEIP does not believe that the HBS might serve as an adequate tool for prudential supervision.</p> <p>It should neither be used for capital requirements nor as an information tool towards scheme members. If any concrete use for the HBS should be sought, the HBS could possibly have a limited value as a risk management tool. However, it is still too complex for small and medium sized IORPs, and there are less complex (and more efficient) methods that might be used.</p> <p>AEIP answered all questions of the consultation despite of these doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>This seems to be a very rare case, which might only be possible in few Member States.</p> <p>In principle, AEIP believes that such payments by the IORPs to the sponsor related to a surplus of the IORP should be recognised in the sponsor support element of the “holistic framework”.</p> <p>Indeed, we agree that payments by the IORP to the sponsor related to a surplus of the IORP can never result in a decrease of the technical provisions.</p>	Noted.
427.	Aon Hewitt	Q9	We refer to the general principles in our response to Q1.	Noted.
428.	Association of Pension Lawyers	Q9	1. We are confused by the reference in the question to surplus being recognised in technical provisions. We assume that technical provisions has the same meaning here as it does in the IORP	Noted.

			<p>Directive, in which case an IORP's technical provisions are its liabilities – i.e. the expected future cash-flow out of the IORP to its beneficiaries. Surplus is presumably an asset, not a liability, and so has no place in the technical provision calculation.</p> <p>2. "Surplus" is not defined. In the UK, only funds in excess of full solvency could be refunded to sponsors if that is permitted by the rules of the IORP and specific regulatory conditions are met. This only occurs very rarely. If a payment of "surplus" was made, the amount of the payment would not be included in the assets of the IORP for funding (technical provisions) purposes.</p> <p>3. Where such a payment is simply a theoretical possibility (this is normally the case in the UK), we do not believe it should be explicitly recognised. It may be possible to reflect it in the overall assessment of sponsor support, but it is difficult to see how it would be "valued".</p>	
429.	BAPI	Q9	<p>Q9: Do stakeholders agree that payments by the IORP to the sponsor related to a surplus of the IORP (in case such payments are allowed for in the scheme) should not be recognized in technical provisions of the IORP? If not, how/where should they be recognized/presented in the HBS?</p> <p>Belgian regulation does not allow the IORP to pay a surplus to the sponsor. These funds stay in the IORP and should be recognized as a type of (negative) sponsor support.</p>	Noted.
430.	Barnett Waddingham LLP	Q9	<p>Payments which have been agreed to be made to the sponsor relating to an IORP should not be recognised in technical provisions. However, an IORP in surplus will not always choose to make a payment to the sponsor, even if the scheme documentation permits this – the IORP may choose to retain the surplus in the scheme, or provide additional benefits to members. In these cases, the surplus should be recognised.</p>	Noted.

431.	Better Finance	Q9	Better Finance expresses its doubts on the practical occurrence of such payments from IORP to the sponsor. From the point of technical provisions, if such payments are probable to occur, they should not be included in the technical provisions.	Noted.
432.	Compass Group PLC	Q9	Q9: Do stakeholders agree that payments by the IORP to the sponsor related to a surplus of the IORP (in case such payments are allowed for in the scheme) should not be recognised in technical provisions of the IORP? If not, how/where should they be recognized/presented in the holistic balance sheet?	
433.	D & L Scott	Q9	In the United Kingdom, such payments to the sponsor only occur on winding up. For that reason, sponsors are unable to anticipate such terminal receipts, which are also subject to taxation, during the going concern phase of both the IORP and the sponsoring corporate's financial statements.	Noted.
434.	Eversheds LLP	Q9	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>Eversheds' considers that the existence and availability of a surplus should be recognised somewhere on the holistic balance sheet to show that the IORP actually has more than enough assets to meet its liabilities. However, we think that a distinction needs to be drawn between an actual surplus which exists where an IORP has more assets than liabilities and a notional surplus which arises where the assets when added together with other elements on the "asset" side of the holistic balance sheet (such as sponsor support) exceeds the liabilities of the IORP. We think that the former is a situation where a</p>	Noted.

			<p>return of surplus assets to the sponsor may be appropriate whereas the latter is not.</p> <p>In the UK there are statutory controls surrounding the ability of IORPs to make payments to the sponsor. The rules of the relevant scheme would also need to permit this. In practice, this means that the scope for payments from IORPs to sponsors in the UK is very limited, not least because they also frequently involve complex tax charges.</p>	
435.	FFSA	Q9	Not in technical provisions but assigned to the accounting result.	Noted.
436.	FSUG	Q9	FSUG expresses its doubts on the practical occurrence of such payments from IORP to the sponsor. From the point of technical provisions, if such payments are probable to occur, they should not be included in the technical provisions.	Noted.
437.	GDV	Q9	<p>Do stakeholders agree that payments by the IORP to the sponsor related to a surplus of the IORP (in case such payments are allowed for in the scheme) should not be recognised in technical provisions of the IORP? If not, how/where should they be recognized/presented in the holistic balance sheet?</p> <p>If the surplus of the IORP is paid to the sponsor, then they should not be recognised in technical provisions. However, if the surplus is not paid to the sponsor, then it should not be treated as liability but as own funds.</p>	Noted.
439.	Heathrow Airport Limited	Q9	Q9: Do stakeholders agree that payments by the IORP to the sponsor related to a surplus of the IORP (in case such payments are allowed for in the scheme) should not be recognised in technical provisions of the IORP? If not, how/where should they be recognized/presented in	

			the holistic balance sheet?	
440.	Hoechst-Gruppe VVaG	Q9	If the payments are agreed upon and the IORP is obliged to such payments, these payments should be treated like comparable payments towards the employees.	Noted.
441.	IFoA	Q9	In the UK, payments to the sponsor are not planned in advance and then recognised in the valuation, so we would therefore question the extent to which this applicable in the UK. We note that they may arise as a consequence of the valuation, or as a consequence of a transaction. Nevertheless, we would suggest that it would be more transparent to recognise these funds as an asset - if they are available to meet the liabilities at the valuation date. They could also be recognised as a component of the technical provisions at the valuation date, providing the sponsor could enforce the payment.	Noted.
442.	IVS	Q9	Yes, payments should not be recognised in the TPs of the IORP. Rather, we suggest they could be recognised in a separate, to be defined position in the HBS/HPF (e.g. « surplus due to employer »). See our General Comments for an explanation of "HBS/HPF".	Noted.
443.	Jane Marshall Consulting	Q9	Most sponsors do not intentionally try to generate surplus. Surplus is generally an overpayment of contributions required to finance liabilities. Since investment conditions change from time to time, there seems little point in making complex distinctions which are meaningless in the long term appraisal of a scheme. Equally, short term 'fixes' to solve what may be temporary deficits which result from market conditions not only provide unnecessary distortion of cash flows but may result in 'trapped surplus' which cannot easily be recovered.	Noted.
444.	NAPF	Q9	Q9: Do stakeholders agree that payments by the IORP to the sponsor	

			<p>related to a surplus of the IORP (in case such payments are allowed for in the scheme) should not be recognised in technical provisions of the IORP? If not, how/where should they be recognized/presented in the holistic balance sheet?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>The NAPF agrees with this proposal. In practice, the scope for transfers from IORP to sponsor is quite limited in the UK, not least because they frequently involve complex tax charges.</p>	Noted.
446.	Pensioenfederatie	Q9	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes.. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>We agree that payments by the IORP to the sponsor related to a surplus of the IORP can never result in a decrease of the technical</p>	Noted.

			<p>provisions. Only in the event of very high funding levels of the IORP the payment to the sponsor is possible in the Dutch case . It could result in a negative asset value in a "holistic framework".</p> <p>In addition, we would like to note that if payments from the IORP to the sponsor are possible during overfunding of the IORP, it is usually possible for the sponsor to make additional payments to the IORP in case of underfunding. This should also be taken into account and will result in a positive asset value.</p>	
447.	PensionsEurope	Q9	<p>Do stakeholders agree that payments by the IORP to the sponsor related to a surplus of the IORP (in case such payments are allowed for in the scheme) should not be recognised in technical provisions of the IORP? If not, how/where should they be recognized/presented in the holistic balance sheet?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We agree that payments by the IORP to the sponsor related to a surplus of the IORP should not be recognized in the technical provisions.</p>	Noted.

			<p>Such payments usually occur when IORPs have high funding levels (for example when there is an excess of assets over the estimated cost of buying out the liabilities through an insurer in the UK). In practice, we note that the scope for transfers from an IORP to a sponsor is quite limited, not least because they frequently involve complex tax charges.</p> <p>We would like to note that if payments from the IORP to the sponsor are possible while the IORP is overfunded, then usually it is possible that the sponsor makes additional payments to the IORP in case of underfunding. Then this should also be taken into account and will result in a positive asset value.</p>	
450.	RPTCL	Q9	<p>The scenario of payments from our IORP to the sponsor are not applicable to our IORPs. However, as with our answer to Q8, it should be recognised that any such payments may have an impact on the sponsor's ability to provide future support to the IORP.</p>	Noted.
451.	Society of Pension Professionals	Q9	<p>Do stakeholders agree that payments by the IORP to the sponsor related to a surplus of the IORP (in case such payments are allowed for in the scheme) should not be recognised in technical provisions of the IORP? If not, how/where should they be recognized/presented in the holistic balance sheet?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local</p>	Noted.

			<p>circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>Yes – payments by the IORP to the sponsor related to a surplus of the IORP should not be recognised in the technical provisions of the IORP.</p>	
453.	Towers Watson	Q9	<p>Do stakeholders agree that payments by the IORP to the sponsor related to a surplus of the IORP (in case such payments are allowed for in the scheme) should not be recognised in technical provisions of the IORP? If not, how/where should they be recognized/presented in the holistic balance sheet?</p> <p>They should not feature in the technical provisions, but it is not clear how the HBS would accommodate these.</p>	Noted.
454.	United Utilities Group	Q9	<p>Q9: Do stakeholders agree that payments by the IORP to the sponsor related to a surplus of the IORP (in case such payments are allowed for in the scheme) should not be recognised in technical provisions of the IORP? If not, how/where should they be recognized/presented in the holistic balance sheet?</p>	
455.	ZVK-Bau	Q9	<p>Due to the scheme design these cases are not relevant to our scheme.</p>	Noted.
456.	OPSG	Q10	<p>In the Netherlands, this can be the case for industry-wide IORPs (e.g. in the case of bankruptcy of one of the (many) sponsors). In those</p>	Noted.

			<p>cases the IORP has not received contributions or has received only part of the contributions whilst the pension obligation to the employees remains.</p> <p>In Sweden, there could be situations where there are payments from an IORP, even if the employer has gone bankrupt or not paid contributions, due to labour organisations/guarantees.</p> <p>If legislation is brought in to modify accrued benefits to increase them in a way that had not been financed for, or in the case of administrative error or fraud, the answer could also be "yes". The OPSG would consider these as future risks to the ability of the IORP to pay benefits as they fall due, rather than to be accounted for within the technical provisions. It is of course the case that IORPs frequently pay out benefits where there is insufficient payment received to continue to finance the same benefits going forward, which reiterates the points made above about the contract boundaries.</p> <p>Unanticipated cases may indeed occur, since the pension promise is influenced by social legislation. For example, gender or age equality requirements may direct or indirect repercussions on the benefits originally envisaged and provided for in the initial financing plan.</p>	
457.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q10	No, not in normal cases i.e. for upfront agreed contributions and benefits. Rare cases may occur by high level jurisdiction, for instance by ECJ rulings on gender equal treatment.	Noted.
458.	Actuarial Association of Europe	Q10	We understand that what is meant here are situations that are « planned » rather than « unanticipated ». We can't think of any cases	Noted.

			<p>that are planned.</p> <p>Unanticipated cases may indeed occur, since the «contract» is not stand-alone but is influenced by social legislation. For example, regarding the retirement age, the introduction of gender equality (particularly in the UK) or the extension beyond a certain age can have direct or indirect repercussions on the benefits originally envisioned upon «contract inception». In The Netherlands there is an obligation for industry-wide pension funds to accrue/pay-out benefits for employees of sponsoring companies that have gone bankrupt. In those cases the IORP has not received contributions or has received only part of the contributions whilst the pension obligation to the employees remains.</p> <p>These examples are yet another area where IORPs are not identical to insurers.</p>	
459.	AEIP	Q10	<p>AEIP does not believe that the HBS might serve as an adequate tool for prudential supervision.</p> <p>It should neither be used for capital requirements nor as an information tool towards scheme members. If any concrete use for the HBS should be sought, the HBS could possibly have a limited value as a risk management tool. However, it is still too complex for small and medium sized IORPs, and there are less complex (and more efficient) methods that might be used.</p> <p>AEIP answered all questions of the consultation despite of these doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>Yes, this is possible.</p> <p>For example, in the Netherlands, in industry-wide pension schemes it</p>	Noted.

			is possible that a new company to be included in the scheme is not included immediately (because both the IORP and the company are not immediately aware of each other), in which case no contributions are paid. Employees of the new company still do build up entitlements in the meantime.	
460.	Aon Hewitt	Q10	We refer to the general principles in our response to Q1.	Noted.
461.	Association of Pension Lawyers	Q10	<p>1. Yes, one example is in association with legislation on civil partnership, where additional liabilities in respect of civil partners (a new category of relationship) arose for schemes, as schemes were obliged to provide dependants' benefits for civil partners in line with those provided for members' spouses, with retrospection in respect of accruals from December 2005.</p> <p>2. Other examples include IORPs which do not require contributions to be made by employees in order for them to accrue benefits and also death benefits provided by IORPs.</p>	Noted.
462.	BAPI	Q10	<p>Q10: Are stakeholders aware of cases in which there would be an obligation of the IORP to pay out benefits without having received any contributions/payments to finance those benefits (e.g. because the obligation is constituted by social and labour law)? If yes, please describe.</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset</p>	Noted.

			<p>Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>No, not for Belgian IORPs. According to Belgian social and labour legislation the sponsor is always ultimate liable for the benefit promise and its funding. In case of sponsor default, the IORP is only liable for the benefits which are funded. If no other sponsor can be found to pick up the full benefit liability, than the benefit promise is transformed to a reduced benefit being an individual account where the sum of the surrender value of the reduced benefits equals the actual funding level, and where the individual accounts are living an independent path no longer linked with the initial benefit promise.</p>	
463.	Barnett Waddingham LLP	Q10	In the UK, entitlement to benefits under defined benefit IORPs does not necessarily arise as a result of the commencement or payment of contributions (either by the sponsor or the member). Instead, benefits often begin to accrue based on a defined service date.	Noted.
464.	BASF SE	Q10	We are not aware of such cases. But we could imagine that there might be rare cases induced by high level jurisdiction.	Noted.
465.	Better Finance	Q10	Better Finance members are not aware of such examples, however there are many examples where only limited amount of contributions were paid. This is the risk that should be accompanied (and accounted for) by an IORP.	Noted.
466.	Compass Group PLC	Q10	Q10: Are stakeholders aware of cases in which there would be an	

			obligation of the IORP to pay out benefits without having received any contributions/payments to finance those benefits (e.g. because the obligation is constituted by social and labour law)? If yes, please describe.	
467.	D & L Scott	Q10	Benefits paid out of some IORPs are not dependent on contributions or investment income received but are instead governed by the rules of the IORP which focus on service, not contributions, and set out the level of benefit to be provided. An example is where a member dies "in service" shortly after joining the IORP. In this situation, there is typically an obligation to pay out benefits to the member's immediate family. Through the pooling of invested assets, with or without recourse to additional insurance, such individual payments are made to member's family members without direct specific funding. This is an example of the pooling of mortality risks and uncertainties.	Noted.
468.	EEF	Q10	This question underlines the difficulty of using an insurance-based model as a supervisory tool for Defined Benefit schemes where the 'benefit' does not usually relate to payment of a 'premium' by the beneficiary or where the size of the benefit may not relate to the size of the premium (because in DB schemes benefits are generally based on service of the scheme member not the level of contributions).	Noted.
469.	Eversheds LLP	Q10	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>In the UK, the obligations under defined benefit schemes arise as a result of an individual's active membership of the scheme and ongoing</p>	Noted.

			<p>service with the employer. In the vast majority of cases individual members are required to contribute in order to remain in active membership and accrue benefits. However, there may be some limited cases where this is not the case. In those cases the sponsor would be responsible for funding those benefits. However, the members rights would accrue regardless of whether the sponsor paid its contributions into the scheme.</p> <p>In any event, under a defined benefit scheme in the UK it is generally understood that benefits accrue by reference to service with the employer/scheme membership rather than contributions.</p>	
470.	FSUG	Q10	<p>FSUG members are not aware of such examples, however there are many examples where only limited amount of contributions were paid. This is the risk that should be accompanied (and accounted for) by an IORP.</p>	Noted.
471.	GDV	Q10	<p>Are stakeholders aware of cases in which there would be an obligation of the IORP to pay out benefits without having received any contributions/payments to finance those benefits (e.g. because the obligation is constituted by social and labour law)? If yes, please describe.</p> <p>Such schemes do not seem to exist in Germany.</p>	Noted.
473.	Heathrow Airport Limited	Q10	<p>Q10: Are stakeholders aware of cases in which there would be an obligation of the IORP to pay out benefits without having received any contributions/payments to finance those benefits (e.g. because the obligation is constituted by social and labour law)? If yes, please describe.</p>	

474.	Hoechst-Gruppe VVaG	Q10	No, not in normal cases i.e. for upfront agreed contributions and benefits. Rare cases may occur by high level jurisdiction, for instance by ECJ rulings on gender equal treatment.	Noted.
475.	IFoA	Q10	This is possible in theory but uncommon in practice. It is most likely to happen as a consequence of a timing difference: i.e. that the financing payments are made after the benefit has been paid.	Noted.
476.	IVS	Q10	We understand that what is meant here are situations that are « planned » rather than « unanticipated ». We can't think of any cases that are planned. Unanticipated cases may indeed occur, since the «contract» is not stand-alone but is influenced by social legislation. For example, regarding the retirement age, the introduction of gender equality (an example is the ECJ's « Barber » ruling), the equalisation of benefits upon divorce or the extension beyond a certain age can have direct or indirect repercussions on the benefits originally envisioned when the pension was granted. This example is yet another area where IORPs are not identical to insurers.	Noted.
477.	Jane Marshall Consulting	Q10	Of course. All schemes which are in deficit pay out benefits without them being fully funded. The obligation is a matter of trust law and the scheme rules.	Noted.
478.	NAPF	Q10	Q10: Are stakeholders aware of cases in which there would be an obligation of the IORP to pay out benefits without having received any contributions/payments to finance those benefits (e.g. because the obligation is constituted by social and labour law)? If yes, please describe. The NAPF does not support the Holistic Balance Sheet project, but is	Noted.

			<p>answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>As explained in answer to question 6 above, benefits in DB schemes relate to service, not contributions.</p>	
481.	Pensioenfederatie	Q10	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>Yes, this is possible. For example, in industry-wide pension schemes, it may be that a new company entering the scheme is not immediately included (because both the IORP and the company are not immediately aware of each other), in which case no contributions are paid. Employees of the new company do build up entitlements in the meantime.</p> <p>Also note that benefits and contributions are not the same in the Netherlands. New entitlements are recognized in the technical</p>	Noted.

			provisions, not contribution payments. In this respect we further refer to our answer to Q6.	
482.	PensionsEurope	Q10	<p>Are stakeholders aware of cases in which there would be an obligation of the IORP to pay out benefits without having received any contributions/payments to finance those benefits (e.g. because the obligation is constituted by social and labour law)? If yes, please describe.</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We note also rare cases may occur by high level jurisdiction, for instance by ECJ rulings on gender equal treatment.</p>	Noted.
485.	RPTCL	Q10	Benefits paid out of our IORPs are not dependent on contributions received but are instead governed by the rules of the IORP which focus on service, not contributions, and set out the level of benefit to be provided. An example of where we may have an obligation to pay out benefits without receiving contributions in respect of a member is where the member dies shortly after joining the IORP. In this scenario, there may be an obligation to pay out benefits to the member's spouse or children.	Noted.
486.	Society of Pension	Q10	Are stakeholders aware of cases in which there would be an obligation	

	Professionals		<p>of the IORP to pay out benefits without having received any contributions/payments to finance those benefits (e.g. because the obligation is constituted by social and labour law)? If yes, please describe.</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>There is an extreme example. Where the UK or European Courts determine that a particular benefit has to be paid where it was previously not thought to be due.</p>	Noted.
488.	Towers Watson	Q10	<p>Are stakeholders aware of cases in which there would be an obligation of the IORP to pay out benefits without having received any contributions/payments to finance those benefits (e.g. because the obligation is constituted by social and labour law)? If yes, please describe.</p>	

			Equality requirements – e.g. uniform retirement age – may introduce obligations not originally envisaged by the sponsor (or IORP). This is another differentiation between IORPs and insurers.	Noted.
489.	United Utilities Group	Q10	Q10: Are stakeholders aware of cases in which there would be an obligation of the IORP to pay out benefits without having received any contributions/payments to finance those benefits (e.g. because the obligation is constituted by social and labour law)? If yes, please describe.	
490.	ZVK-Bau	Q10	No. As in our answer to Q 6 we would like to hint at the difference between individual and collective funding of solidarity elements of our scheme. But apart from any court decisions or changes in social and labour law that change the legal framework in which the IORP operates there are no such cases.	Noted.
491.	OPSG	Q11	Yes, as per our answer to question 5, the OPSG would define the contract boundary as the future cashflows only in respect of benefits accrued to date where some entity/person or combination of parties i.e. the IORP, the social partners (or the employer acting unilaterally) can terminate or amend the future accrual of benefits.	Noted.
492.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q11	No. Form our perspective, a concept which does not also consider the agreed contriubitons cannot work.	Noted.
493.	ACA	Q11	Yes – contract boundaries could be defined based on future benefit payments. Where liabilities build up due to continued service of the member (rather than arising as the result of a contribution paid to the IORP) this would be the more appropriate approach.	Noted.
494.	Actuarial Association of Europe	Q11	We would suggest that the two approaches (dependent on contributions and not dependent on contributions) should be integrated into the definition as EIOPA has done in 4.46.	Noted.

495.	AEIP	Q11	The question is not clear, as the wording “contract boundaries” has not been clearly defined in the text of the consultation. Responding to this question is not possible at this moment.	Noted.
496.	Aon Hewitt	Q11	We refer to the general principles in our response to Q1.	Noted.
497.	Association of Pension Lawyers	Q11	We believe that it would be preferable for contract boundaries to be defined based on unconditional future benefits payments rather than contribution or premiums. It seems that the sensible starting point for any HBS would be to value the IORP’s liabilities and then compare those liabilities to its assets. It would seem wrong to start by judging the HBS by reference to contributions which in many cases will have no relevance to benefits provided by the IORP.	Noted.
498.	BAPI	Q11	<p>Q11: Do stakeholders believe that the contract boundaries could be defined based on future benefit payments rather than contribution or premiums?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI’s view, BAPI answers EIOPA’s questions in order to provide constructive input for EIOPA’s further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a</p>	Noted.

			<p>supervisory/transparency concept for IORPs because we do not.</p> <p>The definition might be workable if referring to future accrual of benefits rather than benefit payments as such, contributions or premiums.</p>	
499.	Barnett Waddingham LLP	Q11	This would be more appropriate for UK IORPs.	Noted.
500.	BASF SE	Q11	This concept has to be explained in more detail.	Noted.
501.	Better Finance	Q11	Better Finance members think that the definition of “contract boundary” should be tied (and treated) to the future benefits accrued to date if there is a right of a partner (sponsor) or an IORP to terminate or amend the future accrual of benefits.	Noted.
502.	Candriam	Q11	<p>Do stakeholders believe that the contract boundaries could be defined based on future benefit payments rather than contribution or premiums?</p> <p>The answer depends on the nature and content of the pension arrangement.</p>	Noted.
503.	Compass Group PLC	Q11	Q11: Do stakeholders believe that the contract boundaries could be defined based on future benefit payments rather than contribution or premiums?	
504.	D & L Scott	Q11	I refer you to my earlier comments at Q3 above regarding “accrued benefits” and “prospective benefits”. Any analysis of the requirements	Noted.

			for paying future benefits when they fall due also needs to take into account the expected investment income and other sources of investment return.	
505.	EEF	Q11	See our response to Q1	Noted.
506.	Eversheds LLP	Q11	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>In principle, yes, and we think that it is crucial to develop a concept equivalent to that of “contract boundaries” which is appropriate for the promises made by IORPs, albeit that we think a different expression should be used in the context of IORPs to describe this.</p>	Noted.
507.	FFSA	Q11	Yes, the contract boundaries could be defined based on future benefit payments rather than contribution or premiums, for DB plans and also yes for DC plans if the employer has an obligation to pay contributions in the future.	Noted.
508.	FSUG	Q11	FSUG members think that the definition of “contract boundary” should be tied (and treated) to the future benefits accrued to date if there is a right of a partner (sponsor) or an IORP to terminate or amend the future accrual of benefits.	Noted.
509.	FVPK	Q11	Do stakeholders believe that the contract boundaries could be defined based on future benefit payments rather than contribution or premiums?	Noted.

			<p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>Yes, future “benefit” payments – that are payments based on the optional additional guarantees - are the relevant cash-flows to be recognized in the technical provision.</p>	
510.	GDV	Q11	<p>Do stakeholders believe that the contract boundaries could be defined based on future benefit payments rather than contribution or premiums?</p> <p>It is important that the definition remains consistent with the definition for insurance undertakings.</p>	Noted.
512.	Heathrow Airport Limited	Q11	Q11: Do stakeholders believe that the contract boundaries could be defined based on future benefit payments rather than contribution or premiums?	
513.	Hoechst-Gruppe VVaG	Q11	No. Form our perspective, a concept which does not also consider the agreed contriubitons cannot work.	Noted.
514.	IFoA	Q11	Yes. This would be more appropriate for many UK IORPs.	Noted.
515.	IVS	Q11	No, we can't think of a situation in Germany where such a situation would arise.	Noted.
516.	Jane Marshall Consulting	Q11	No.In final salary schemes the correct reference is to service on which accrual is based.	Noted.

517.	NAPF	Q11	<p>Q11: Do stakeholders believe that the contract boundaries could be defined based on future benefit payments rather than contribution or premiums?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>In theory, yes, although – as explained in answer to Questions 1 and 2 above – the NAPF does not believe ‘contract boundaries’ – a concept based in the world of insurance – are an appropriate basis for regulation of IORPs.</p>	Noted.
520.	Pensioenfederatie	Q11	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>Yes, in the Dutch case, future benefit payments are the relevant element for the scope of the agreement. New entitlements are</p>	Noted.

			recognized in the technical provision, not contribution payments . In this respect we further refer to our answer on Q6.	
521.	PensionsEurope	Q11	<p>Do stakeholders believe that the contract boundaries could be defined based on future benefit payments rather than contribution or premiums?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>The answer to Q11 heavily depends on the type of contribution / benefit system, as well as on how closely those contributing to the scheme (employers and employees) are involved in the scheme. Which elements -agreed contributions and/or accrual of benefits- are relevant for the liabilities arising for the IORP is highly dependent on the type of entitlement and type of IORP as well on the national labour and social law. Therefore this definition should be left to the Member States.</p> <p>For instance in the Dutch case, the response would be yes, future benefit payments are the relevant element for the scope of the agreement. Not contribution payments but new entitlements are recognized in the technical provision.</p>	Noted.

			<p>For Belgium, the definition might be workable if referring to future accrual of benefits rather than benefit payments as such, contributions or premiums.</p> <p>However, in the German case, a concept which does not also consider the agreed contributions cannot work.</p>	
524.	RPTCL	Q11	<p>We believe that an approach based on future benefit payments is more appropriate but, as covered in our answers to Q1 to Q3, we do not consider that the term 'contract boundaries' works particularly well in the case of our IORPs and do not consider it necessary or desirable to use terminology from the framework of Solvency II for insurance for the purpose of IORPs.</p>	Noted.
525.	Society of Pension Professionals	Q11	<p>Do stakeholders believe that the contract boundaries could be defined based on future benefit payments rather than contribution or premiums?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising</p>	Noted.

			<p>from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>Yes – contract boundaries could be defined based on future benefit payments. Where liabilities build up due to continued service of the member (rather than arising as the result of a contribution paid to the IORP) this would be the more appropriate approach.</p>	
527.	Towers Watson	Q11	<p>Do stakeholders believe that the contract boundaries could be defined based on future benefit payments rather than contribution or premiums?</p> <p>Where contributions derive from benefit obligations and, not the other way, round, yes. This is the case for most UK defined benefit schemes. .</p>	Noted.
528.	United Utilities Group	Q11	Q11: Do stakeholders believe that the contract boundaries could be defined based on future benefit payments rather than contribution or premiums?	
529.	ZVK-Bau	Q11	No.	Noted.
530.	OPSG	Q12	No.	Noted.
531.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q12	Even if the intend is understood, the basic concepts do not fit occupational pensions. In addition, definitions and descriptions are not clear enough and of insufficient depth.	Noted.
532.	ACA	Q12	The recognition of cash flows in the technical provisions should be limited to those payments that the IORP is obliged to make based on the benefits accrued up until the date at which the technical provisions	Noted.

			<p>are to be valued. As such it can be argued that no allowance should be made in technical provisions for increases in benefits related to future salary increases (ie technical provisions should be on an « ABO » as opposed to « PBO » basis).</p> <p>Benefit accrual in respect of service after the assessment date, discretionary benefits / increases that had not been granted at the valuation date, benefit rights / entitlements that only arise if a contribution is paid (that had not been received at the valuation date) should not form part of the technical provisions as these obligations have not yet arisen.</p>	
533.	Actuarial Association of Europe	Q12	The approach appears to be sensible. We appreciate that it is justified by transparency. However, where there are relevant measures that provide relief (benefit reduction mechanisms), these should be applied too.	Noted.
534.	AEIP	Q12	No.	Noted.
535.	Aon Hewitt	Q12	We refer to the general principles in our response to Q1.	Noted.
536.	Association of Pension Lawyers	Q12	<p>1. We agree that future accruals only have to be recognised (and covered by the technical provisions) if the IORP is locked in to providing the benefits. In terms of most UK defined benefits schemes this will mean future accrual is excluded from scope, as the rules will normally be flexible enough to allow for the scheme to be closed at any time. However, it should be noted that it is not normally the IORP (scheme manager) that has the power (or unilateral power) to close the scheme, but the sponsor, so this distinction will need to be addressed.</p> <p>2. It seems that the sensible starting point for any HBS would be to value the IORP's liabilities and then compare those liabilities to its assets. It would seem wrong to start by judging the HBS by reference</p>	Noted.

			to contributions which in many cases will have no relevance to benefits provided by the IORP. The IORP Directive refers to the concept of technical provisions and it would seem sensible to use the same concept for any HBS that might be developed.	
537.	BAPI	Q12	<p>Q12: Do stakeholders have any general comments on the above section?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>We have no comment.</p>	Noted.
538.	Barnett Waddingham LLP	Q12	Proportionality will be key for smaller IORPs as there will be many possible cashflows that may be rarely, or never, paid in practice. Considering all potential cashflows will lead to additional costs for little or no benefit.	Noted.
539.	BASF SE	Q12	There is some dependence on the questions Q7 and Q8 which is not reflected.	Noted.

540.	Compass Group PLC	Q12	Q12: Do stakeholders have any general comments on the above section?	
541.	D & L Scott	Q12	<p>The section makes no reference to the use and limitations of market values as an incorrect proxy for intrinsic (or fair) values. I also no reference to the discount rate to be used and would remind EIOPA of the two bases permitted in the 2003 IORP Directive:</p> <p>“the maximum rates of interest used shall be chosen prudently and determined in accordance with any relevant rules of the home Member State. These prudent rates of interest shall be determined by taking into account:</p> <ul style="list-style-type: none"> — the yield on the corresponding assets held by the institution and the future investment returns and/or — the market yields of high-quality or government bonds” <p>The relevant “rules” in the United Kingdom are to be found in the Occupational Pension Schemes (Scheme Funding) Regulations 2005 which essentially repeat the IORP Directive wording in its entirety.</p>	Noted.
542.	Eversheds LLP	Q12	Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.	Noted.

			<p>In the UK, the obligations under DB schemes arise as a result of an individual's membership of the scheme and ongoing service with the employer. Therefore, focusing on contributions to determine the technical provisions for a DB scheme is not appropriate.</p> <p>In addition, we query the extent to which the ability to adjust benefits should be reflected in the Holistic Balance Sheet, given that in our view, the purpose of a prudential funding regime should be to seek to ensure that promises are met not to implicitly provide that IORPs are expected to reduce or avoid those promises.</p>	
543.	GDV	Q12	Do stakeholders have any general comments on the above section?	
545.	Heathrow Airport Limited	Q12	Q12: Do stakeholders have any general comments on the above section?	
546.	Hoechst-Gruppe VVaG	Q12	Even if the intend is understood, the basic concepts do not fit occupational pensions. In addition, definitions and descriptions are not clear enough and of insufficient depth.	Noted.
547.	IFoA	Q12	The key point we would emphasise in this section of our response is the need for EIOPA to consider how the principle of proportionality should apply to the identification of the contract boundaries.	Noted.
548.	IVS	Q12	The approach appears to be sensible. We appreciate that it is justified by transparency. However, where there are relevant measures that	Noted.

			provide relief (benefit reduction mechanisms), these should be applied too.	
549.	Jane Marshall Consulting	Q12	The approach underlying the consultation is likely to result in significant compliance costs for business and IORPs.	Noted.
550.	NAPF	Q12	<p>Q12: Do stakeholders have any general comments on the above section?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>The recognition of cash flows in the technical provisions should be limited to those payments that the IORP is obliged to make based on the benefits accrued up until the date at which the technical provisions are to be valued. As such it can be argued that no allowance should be made in technical provisions for increases in benefits related to future salary increases.</p> <p>Benefit accrual in respect of service after the assessment date, discretionary benefits / increases that had not been granted at the valuation date, benefit rights / entitlements that only arise if a contribution is paid (that had not been received at the valuation date) should not form part of the technical provisions as these obligations have not yet arisen.</p>	Noted.

552.	Pensioenfederatie	Q12	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes.. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>For the purposes of valuating the cashflows by using risk-neutral valuation, 'probabilities' as we typically think of them, are not relevant. In a risk-neutral scenario set, the scenarios are not calibrated to real-world probabilities. Therefore, the resulting option values cannot be interpreted as the 'expected amount of sponsor support' or 'the expected amount of conditional indexation'.</p>	Noted.
553.	PensionsEurope	Q12	<p>Do stakeholders have any general comments on the above section?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p>	Noted.

			<p>Even if we understand EIOPA's intent, the basic concepts in this section do not fit occupational pensions. In addition, definitions and descriptions are not clear enough and of sufficient depth.</p> <p>For the purposes of valuation of the cashflows using risk-neutral valuation, 'probabilities' as we usually think of them are not relevant. In a risk-neutral scenario set, the scenarios are not calibrated to real-world probabilities. Therefore, the resulting option values cannot be interpreted as the 'expected amount of sponsor support' or 'the expected amount of conditional indexation'.</p>	
556.	RPTCL	Q12	<p>We interpret this section as meaning that, from a benefit payment perspective, it is necessary to recognise all the potential benefit cashflows before considering the value of these for technical provisions purposes. However, it is important that these cashflows only relate to obligations to benefits that have already built up by the valuation date. Subject to these, we agree with this approach and this is what we currently do in practice when assessing technical provisions.</p>	Noted.
557.	Society of Pension Professionals	Q12	<p>Do stakeholders have any general comments on the above section?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p>	Noted.

			<p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>The recognition of cash flows in the technical provisions should be limited to those payments that the IORP is obliged to make based on the benefits accrued up until the date at which the technical provisions are to be valued. As such it can be argued that no allowance should be made in technical provisions for increases in benefits related to future salary increases.</p> <p>Benefit accrual in respect of service after the assessment date, discretionary benefits / increases that had not been granted at the valuation date, benefit rights / entitlements that only arise if a contribution is paid (that had not been received at the valuation date) should not form part of the technical provisions as these obligations have not yet arisen.</p>	
558.	Towers Watson	Q12	<p>Do stakeholders have any general comments on the above section?</p> <p>Cash flows should be recognised within the technical provisions only to the extent that the IORP has an obligation to provide benefits at that assessment (valuation) date. Obligations that have not already arisen – e.g. future benefits – and that are conditional on new contributions being paid should not feature.</p>	Noted.
559.	United Utilities Group	Q12	Q12: Do stakeholders have any general comments on the above section?	

560.	ZVK-Bau	Q12	We regard this section somewhat confusing and artificial. It does not reflect the situation of our scheme.	Noted.
561.	OPSG	Q13	If consistency is to be achieved across all IORPs in determining whether surplus is potentially payable to the sponsor (and so included as negative sponsor support) or as surplus participation to the members (and so included as extra technical provisions), the OPSG feels that further direction is needed in this area than is given in this section.	Noted.
562.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q13	<p>From our perspective it makes sense to include only unconditional benefits, in particular if stakeholders have the option to avoid future surplus participation of members and beneficiaries to avoid an increase in liabilities. Potentially awarded surpluses would be gradually taken into account if these calculations are updated on an annual basis.</p> <p>The complexity of calculations which include future, non-fixed non-unconditional benefits leads to little added value as compared to the costs and efforts involved, in particular for many small IORPs. In addition, we doubt that many insights can be gleaned from these calculations, because they are unlikely to be transparent and comprehensible to outsiders.</p>	Noted.
563.	ACA	Q13	IORPs should not be required to include pure discretionary benefits within technical provisions.	Noted.
564.	Actuarial Association of Europe	Q13	These paragraphs take Solvency II as a starting point and conclude that the definitions are not sufficient in a pension context. We know that pensions are different so we would suggest to describe the pension varieties and describe how each should be seen in the context of contract boundaries for pensions.	Noted.

565.	AEIP	Q13	<p>For capital requirement purposes, the scope of the agreement should be limited to unconditional benefits accrued to date.</p> <p>For risk management purposes, non-unconditional benefits can be included. Note that for example, in some countries, indexation can be conditional, even if contributions to finance indexation are made. If the purpose is to apply the HBS as a risk management tool, the conditional indexation should not be part of the technical provisions but the means for this indexation should be identified on the HBS separately.</p>	Noted.
566.	Aon Hewitt	Q13	We refer to the general principles in our response to Q1.	Noted.
567.	Association of Pension Lawyers	Q13	For most (private sector) UK schemes only accrued benefits will be “in scope” as the basis for the technical reserves to be valued. However, unconditional elements attached to these accrued benefits will be “in scope” (although how to value these elements will be a matter for discussion).	Noted.
568.	BAPI	Q13	<p>Q13: Do stakeholders have any general comments on the above section?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have</p>	Noted.

			<p>already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>We have no comment. We believe this type of profit sharing is typically for insured benefit plans but is rather rare in the context of a benefit plan organized via a Belgian IORP.</p>	
569.	Barnett Waddingham LLP	Q13	Pure discretionary benefits should not be included within technical provisions.	Noted.
570.	Compass Group PLC	Q13	Q13: Do stakeholders have any general comments on the above section?	
571.	D & L Scott	Q13	The estimation of technical provisions for IORPs of my experience already makes allowance for actuarial estimates of future discretionary benefits that may arise from surplus, to the extent they are permitted benefits to be provided by the IORP. I see no value in trying to apply the insurance-based structure of Solvency II to address this type of benefit issue.	Noted.
572.	EAPSPI	Q13	<p>Only unconditional benefits should be evaluated in a risk assessment. All kinds of benefits where it is within the power of stakeholders to modify them (and in consequence avoid an increase in liabilities) should not be included in the technical provisions.</p> <p>In addition it is very complex to calculate future non-unconditional benefits that are not yet fixed. This information is not seriously</p>	Noted.

			comparable and of questionable use for supervisors. This leads to few benefits compared to the costs and efforts involved, in particular for smaller IORPs.	
573.	Eversheds LLP	Q13	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We think that pure discretionary benefits should not have to be reflected on the holistic balance sheet and we think that it should be left to Member States to decide how mixed benefits should be treated on the holistic balance sheet.</p>	Noted.
574.	FFSA	Q13	We would prefer the expression « conditionnal » rather than “non-unconditional”.	Noted.
575.	GDV	Q13	Do stakeholders have any general comments on the above section?	
577.	Heathrow Airport Limited	Q13	Q13: Do stakeholders have any general comments on the above section?	
578.	Hoechst-Gruppe VVaG	Q13	From our perspective it makes sense to include only unconditional benefits, in particular if stakeholders have the option to avoid future surplus participation of members and beneficiaries to avoid an increase in liabilities. Potentially awarded surpluses would be gradually taken into account if these calculations are updated on an annual	Noted.

			<p>basis.</p> <p>The complexity of calculations which include future, non-fixed non-unconditional benefits leads to little added value as compared to the costs and efforts involved, in particular for many small IORPs. In addition, we doubt that many insights can be gleaned from these calculations, because they are unlikely to be transparent and comprehensible to outsiders.</p>	
579.	IFoA	Q13	<p>The need for EIOPA's analysis to take sufficient account of the difference between insurance contracts and retirement benefit arrangements is paramount. The legal framework for IORPs varies significantly between MS, so it will be difficult to find definitions that work across the EU, and even where such definitions are possible they will necessarily be so complex that substantial legal input will be required to implement them and this will have profound implications for the cost-effectiveness of the proposals and will risk stifling innovation.</p> <p>This variation in legal frameworks– largely a consequence of labour and social law – leads us to believe that solvency requirements in particular should be delegated to MS as far as possible.</p>	Noted.
580.	IVS	Q13	<p>The approach appears to be sensible. We appreciate that it is justified by transparency. However, where there are relevant measures that provide relief (benefit reduction mechanisms), these should be applied too.</p>	Noted.
581.	Jane Marshall Consulting	Q13	<p>This section illustrates once again the likely cost and complexity of compliance that is envisaged without any corresponding benefit were the holistic balance sheet to be adopted. It is disproportionate in its</p>	

			application to schemes which have a robust risk based regulatory system as in the UK.	
582.	NAPF	Q13	<p>Q13: Do stakeholders have any general comments on the above section?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>No answer</p>	Noted.
584.	Pensioenfederatie	Q13	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>For capital requirement purposes, the scope of the agreement should be limited to unconditional benefits accrued to date. In the Netherlands these benefits are usually nominal benefits without indexation. For risk management purposes, non-unconditional benefits</p>	Noted.

			can be included. Note that for example indexation can be conditional, even if contributions are made to finance indexation. If the purpose is to apply the HBS as a risk management tool, the conditional indexation should not be part of the technical provisions but the contribution for this indexation should be separately identified on the HBS.	
585.	PensionsEurope	Q13	<p>Do stakeholders have any general comments on the above section?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>From our perspective it makes sense to include only unconditional benefits in a risk assessment, in particular if stakeholders have the option to avoid future surplus to avoid an increase in liabilities. Potentially awarded surpluses will be gradually taken into account if these calculations are updated on an annual basis.</p> <p>The complexity of calculations which include future, non-fixed non-unconditional benefits leads to only a few benefits compared to the costs and efforts involved, in particular for many small IORPs. In addition, we doubt that many insights can be gleaned from these calculations, because they are unlikely to be transparent and comprehensible to members and/or beneficiaries.</p>	Noted.

			<p>For capital requirement purposes – if any -, the scope of the agreement should be limited to unconditional benefits accrued to date. For risk management purposes, non-unconditional benefits can be included. Note that for example indexation can be conditional, even if contributions to finance indexation are made. If the purpose is to apply the HBS as a risk management tool, the conditional indexation should not be part of the technical provisions but the means for this indexation should be identified on the HBS separately.</p>	
588.	RPTCL	Q13	<p>We agree with the overall comments here. However, the calculation of technical provisions for our IORPs can already make an allowance for any policy of providing future discretionary benefits that may be provided from surplus, to the extent they are benefits habitually granted by the IORP. Consequently, we see no benefit in trying to apply the structure of Solvency II to address the issue of this type of benefit.</p>	Noted.
589.	Society of Pension Professionals	Q13	<p>Do stakeholders have any general comments on the above section?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation</p>	Noted.

			<p>between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>IORPs should not be required to include pure discretionary benefits within technical provisions.</p> <p>The approach should permit IORPs / sponsors to reflect such discretionary benefits as they expect to grant in future. Where the sponsor has a legal obligation to fund the benefits provided by the IORP, it should be the sponsor's expectation of the discretionary benefits that determines the allowance made.</p>	
590.	Towers Watson	Q13	<p>Do stakeholders have any general comments on the above section?</p> <p>Inclusion of pure discretionary benefits within technical provisions may lead to those benefits ceasing to be pure discretionary. It should be possible (but not a requirement) to reflect the discretionary benefits that are expected to be granted, but where the sponsor has a legal obligation to fund the IORP benefits, it should be the sponsor's expectation that prevails.</p>	Noted.
591.	United Utilities Group	Q13	Q13: Do stakeholders have any general comments on the above section?	
592.	ZVK-Bau	Q13	Non-unconditional and pure or partly discretionary benefits (like bonuses or surplus participation rights) should not be recognized in technical provisions unless they are made unconditional by assignment.	Noted.
593.	OPSG	Q14	While the OPSG has reservations about the use of the term "contract boundaries" for IORPs (see answers to questions 1, 2 & 3), the	Noted.

			definition is helpful in clarifying the cashflows that should be included, and the principle that they should only be recognised if they lead to unalterable risk	
594.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q14	<p>We understand that the given definition fits our position to only include cashflows, which are based on rules the IORP agreed to («risk building up IN the IORP », see Q4). This also includes the option of the IORP and other stakeholders to avoid future non-unconditional benefits in order to reduce risk such as surplus participation of members and beneficiaries.</p> <p>The answer to Q4 was:</p> <p>The Solvency II model fits insurance contracts, but it does not fit occupational pensions. This is the case because in occupational pensions the “boundaries” when and under which conditions the increase in entitlements may change or may be frozen are governed by social and labour law. This often involves all parties.</p> <p>We support the idea that the technical provisions should only include those contributions and benefits which are laid down in the agreed relationship between IORP and employee as well as between IORP and employer (4.24).</p> <p>We strongly disagree with Points 4.25 and 4.26. For IORPs it does not matter what the employer promised to the employee; the rules which matter for IORPs are the agreed fixed rules between the IORP and the relevant stakeholders. An adequate description of the risks carried by the IORP cannot be based on rules for which there is no agreement with the IORP.</p>	<p>Not agreed.</p> <p>Par. 4.26 of the Consultation Paper explains that “risks building up in the IORP” should be understood here as “risks building up for a promise to provide benefits of occupational retirement provision (primarily) via an IORP”.</p>

			<p>From our perspective, “risks building up for a promise to provide benefits of occupational retirement provision (primarily) via an IORP” is not at all a suitable approach for calculating adequate financial resources for IORPs. We are concerned about Point 4.27 which relates the “promise to provide benefits” directly to the calculated cashflows. The second part of this paragraph rightly recognises that cashflows which have to be paid by the IORP should be included in the technical provisions. There is no basis for the inclusion of cash flows beyond this, in particular not for parts of the “promise” which are not or cannot be delivered by the IORP.</p>	
595.	ACA	Q14	<p>No. The contract boundaries should not be required to include cash flows in respect of benefits linked to future service accrual or linked to contribution payments that had not yet been received by the IORP at the valuation date of the technical provisions. These events have not yet occurred and as such the rights and obligations have not yet arisen.</p>	Noted.
596.	Actuarial Association of Europe	Q14	<p>Although we understand the principle being reached for, we are uncertain because of the definition’s complexity and undefined language. We would recommend that the phrases «unilateral right or obligation to terminate the agreement or to amend contributions/obligations to fully reflect the risk» be included in the definition.</p>	Noted.
597.	AEIP	Q14	<p>The wording “contract boundaries” has not been clearly defined in the text of the consultation.</p>	Noted.
598.	Aon Hewitt	Q14	<p>We refer to the general principles in our response to Q1.</p>	Noted.

599.	Association of Pension Lawyers	Q14	<p>1. We recognise that in relation to insurance contracts there may be a degree of correlation between the premium paid and the likely benefits underwritten. We note that, therefore, there is arguably as per para 4.16 "a close relation between certain obligations/provision of cover on the one hand and paid premiums on the other hand".</p> <p>2. We also recognise that a basic idea within para 4.26 is that regulation should relate to the "risks building up on the IORP". In this regard, we note para 4.27 that, "If cash-flow should be paid by the IORP as part of the promise made to members and beneficiaries they should be recognised in technical provisions of the IORP, because only so can they be taken into account and thus protected by a supervisory regime".</p> <p>3. In respect of pension plans provided by insurance contracts, whilst there can be a degree of correlation between premium paid and benefits provided it is not necessarily a linear correlation, as there can be substantive differences in this inter-relationship including by virtue of the different profit margins of the insurers, the assumptions and also the different benefit structures from contracts. Accordingly, even in the case of insurance contract based pensions provision the amount of premium paid may not be a wholly accurate predictor of the risk that has been building up in relation to the IORP.</p> <p>4. In respect of non-insurance contracts where the pension provision is supported by a scheme sponsor, the correlation between contributions and benefits may be much weaker. We believe the level of contributions is not necessarily a reliable predictive indicator in respect of such schemes. Reasons for this lack of correlation may include:</p> <p>a) Sponsored pension schemes with the same levels of benefit may have different levels of contribution agreed within their deed and rules.</p>	Noted.
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			<p>b) Having regard to the scheme specific nature of scheme funding legislation, there may be a broad range of differing contribution levels even in respect of the same or similar level of benefits from IORP to IORP.</p> <p>c) The prospect of varying contribution levels has always been available under the scheme specific funding regime in the UK which, under the previous code of practice, provided for contributions to have regard to each sponsor's reasonable economy.</p> <p>d) Under the current regulatory code, which has regard to sponsor investment and growth, differing levels of contribution may be a reflection on the specific capital expenditure or other commercial circumstances of the sponsor rather than any indication of the particular benefit levels within the IORP in question.</p> <p>5. For the reasons above, assessment of technical provisions will more accurately be determined by reference to the benefits accrued in the case of scheme sponsored IORPs rather than by contributions. For this reason, we would not recommend the approach suggested in para 4.46A to apply to scheme sponsored IORPs.</p> <p>6. In addition we note that as mentioned in para 4.47 it can commonly be the case that it is not the IORP which has a unilateral right to terminate the agreement to provide pension benefits. There may be occasions where an IORP sponsor would on the face of the IORP's governing documentation be able to terminate its agreement, whilst this may also be subject to overriding legislation.</p> <p>7. Even where an IORP has the power to terminate contributions or the pension agreement it may commonly not wish to do so or be able to do so effectively, as it is possible that such an exercise would be inconsistent with the IORP's fiduciary duties. Accordingly, the existence of the rights of an IORP to terminate an agreement or contributions may not indicate the likelihood of that right being</p>	
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			<p>exercised.</p> <p>8. Additionally, in any case where a sponsor has the right to cease making contributions, to the extent that such contributions relate to deficit contributions the right would have to be considered in the context of the relevant statutory provisions. Such provisions including, for example, the UK scheme specific funding regime, which may often require continuing payments to the pension scheme.</p>	
600.	BAPI	Q14	<p>Q14: Do stakeholders think that the above definition of contract boundaries for IORPs is in line with the general idea that cash-flows should be recognized if and only if they lead to risks building up in the IORP as described in section 4.2.4 (all those cash-flows should be in technical provisions; no cash-flows where all risks could be avoided should be in technical provisions)?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>We believe the terminology as well as the definition of contract</p>	<p>Noted.</p> <p>Par. 4.26 of the Consultation Paper explains that "risks building up in the IORP" should be understood here as "risks building up for a promise to provide benefits of occupational retirement provision (primarily) via an IORP".</p>

			<p>boundaries is still too much a copy paste of the Solvency II definition. We believe the triangular relation IORP, sponsoring undertaking, members and beneficiaries is still not reflected correctly. As explained in the answer to Q1, the Belgian triangular relationship is characterized by two "contracts": first of all the pension promise – a contract between the sponsoring undertaking and the members and beneficiaries- and secondly the management agreement between the IORP and the sponsoring undertaking. Both contracts can be ended at all times: but for the benefit promise this can be done either unilaterally by the sponsor only or this might need an agreement amongst social partners. The second contract can be ended unilaterally either by the sponsor or by the IORP. We are not sure it is relevant to know if the "contract" can be ended unilaterally – we believe it should be checked if the IORP can be released of any liabilities linked to future benefit accruals whatever the procedure is to do so. Our understanding is a Belgian IORP can be released by stopping the management agreement, and as such should include in technical provisions the accrued benefits only.</p> <p>Please also note it is not because a benefit promise exists that benefit payments will always be done via the IORP. Without abolishing the benefit promise as such, the sponsoring undertaking and/or social partners might always decide for another pension vehicle.</p> <p>Please note a Belgian IORP has a "best effort" engagement as such it is never the IORP who bears the risk, all risk stays with the sponsoring undertaking. In this context "risk building up" stays very confusing as there is no risk building up at all – managing/organizing/executing benefits might be more appropriate.</p>	
601.	Barnett Waddingham LLP	Q14	<p>The definitions do not appear to allow for both benefits and contributions to be modified at the same time, which may occur in the UK. We believe that any necessary definitions should be set by national regulators who will have an understanding of the appropriate</p>	<p>Noted.</p> <p>Par. 4.46, a) 2.c. and b) 2.c. cover modifications of</p>

			terminology.	both benefits and contributions at the same time ("or" here is not exclusive)
602.	BASF SE	Q14	<p>It is unclear what is meant by cash-flows where all risks could be avoided.</p> <p>Generally it is not quite clear whether the definition shall apply on a single member basis or shall be applied collectively.</p> <p>If it is on a single member basis how shall additional contributions for active members be involved if they are paid to cover additional risks for beneficiaries?</p>	Noted.
603.	Better Finance	Q14	Yes.	Noted.
604.	Compass Group PLC	Q14	Q14: Do stakeholders think that the above definition of contract boundaries for IORPs is in line with the general idea that cash-flows should be recognised if and only if they lead to risks building up in the IORP as described in section 4.2.4 (all those cash-flows should be in technical provisions; no cash-flows where all risks could be avoided should be in technical provisions)?	
605.	D & L Scott	Q14	EIOPA's continuing persistence with "contract boundaries" in these questions seems disingenuous to me. I have already rejected this approach in Q1-Q3 above. I also struggle with the very idea of risk-free cash-flows, especially if these are believed to be policies with insurers or obligations backed only by government or other "high-quality" bonds. I refer you to my general comments on "risk" at Q4 above.	Noted.

606.	EEF	Q14	Theoretically yes but in the current UK pension regime, as underpinned by statutory protection arrangements, it would be unusual for there to be a cash flow that is not related to a risk.	Noted.
607.	Eversheds LLP	Q14	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>Eversheds would agree with this position, although it would be unusual in the UK for there to be cash-flows that do not relate to risks building up in the IORP.</p> <p>Referring to cash flows may be appropriate for DC schemes. But we are confused by the references to cash flows building up within an IORP in the context of defined benefit schemes because, in the UK, we tend to think of liabilities building up within such IORPs rather than cash flows. In addition, the term “technical provisions” in the UK is understood to mean liabilities. Therefore, we think that, in the context of IORPs that provide defined benefits it would be more appropriate to refer to liabilities building up within the IORP rather than cash flows.</p> <p>That said, we agree that liabilities/cash flows should be recognised where they lead to risks building up within the IORP except for pure discretionary benefits. Whether or not mixed benefits should be recognised should be left for Member States and/or national regulators to decide.</p>	Noted.

			<p>We are not clear on what is meant by the term “avoided” in this question. However, we presume that it means that future liabilities (i.e. those accruing after the valuation date) should not be included where the IORP or sponsor has a unilateral right which would enable it to prevent these liabilities accruing. Assuming this is the case, we are not clear on the purpose of including future liabilities in the holistic balance sheet, in any event, on the basis that so much uncertainty surrounds them.</p> <p>In the UK, pension scheme valuations focus on the extent to which accrued rights are covered by existing assets rather than trying to put a value on uncertain future benefits. The value of future benefits are considered when agreeing future contributions with the sponsor in order to seek to ensure that the future sponsor and member contributions will cover the cost of future benefit accrual.</p> <p>In our view, including future liabilities in the holistic balance sheet, certainly in a UK context, would introduce added uncertainty which would make the holistic balance sheet less meaningful and we think that it should, therefore, focus on accrued liabilities only. If this approach is not appropriate for all Member States, we suggest that this is something that should be left for national regulators to determine.</p>	
608.	FFSA	Q14	Yes.	Noted.
609.	FSUG	Q14	Yes.	Noted.
610.	GDV	Q14	Do stakeholders think that the above definition of contract boundaries for IORPs is in line with the general idea that cash-flows should be	Noted.

			<p>recognised if and only if they lead to risks building up in the IORP as described in section 4.2.4 (all those cash-flows should be in technical provisions; no cash-flows where all risks could be avoided should be in technical provisions)?</p> <p>For some schemes contradictions may arise between the contract boundaries as defined in the consultation paper and the unilateral rights of an IORP (see Q23 for instance). This is particularly the case when the IORP undertakes the commitment to implement occupational pension provision, however the exact level of contributions of the sponsor are not specified yet and can be adjusted according to the true risk. In any case, it is important that the definition remains consistent with the definition for insurance undertakings.</p>	
612.	Heathrow Airport Limited	Q14	<p>Q14: Do stakeholders think that the above definition of contract boundaries for IORPs is in line with the general idea that cash-flows should be recognised if and only if they lead to risks building up in the IORP as described in section 4.2.4 (all those cash-flows should be in technical provisions; no cash-flows where all risks could be avoided should be in technical provisions)?</p>	
613.	Hoechst-Gruppe VVaG	Q14	<p>We understand that the given definition fits our position to only include cashflows, which are based on rules the IORP agreed to («risk building up IN the IORP », see Q4). This also includes the option of the IORP and other stakeholders to avoid future non-unconditional benefits in order to reduce risk such as surplus participation of members and beneficiaries.</p> <p>The answer to Q4 was: The Solvency II model fits insurance contracts, but it does not fit occupational pensions. This is the case because in occupational</p>	<p>Not agreed.</p> <p>Par. 4.26 of the Consultation Paper explains that “risks building up in the IORP” should be understood here as “risks building up for a promise to provide benefits of occupational</p>

			<p>pensions the “boundaries” when and under which conditions the increase in entitlements may change or may be frozen are governed by social and labour law. This often involves all parties.</p> <p>We support the idea that the technical provisions should only include those contributions and benefits which are laid down in the agreed relationship between IORP and employee as well as between IORP and employer (4.24).</p> <p>We strongly disagree with Points 4.25 and 4.26. For IORPs it does not matter what the employer promised to the employee; the rules which matter for IORPs are the agreed fixed rules between the IORP and the relevant stakeholders. An adequate description of the risks carried by the IORP cannot be based on rules for which there is no agreement with the IORP.</p> <p>From our perspective, “risks building up for a promise to provide benefits of occupational retirement provision (primarily) via an IORP” is not at all a suitable approach for calculating adequate financial resources for IORPs. We are concerned about Point 4.27 which relates the “promise to provide benefits” directly to the calculated cashflows. The second part of this paragraph rightly recognises that cashflows which have to be paid by the IORP should be included in the technical provisions. There is no basis for the inclusion of cash flows beyond this, in particular not for parts of the “promise” which are not or cannot be delivered by the IORP.</p>	retirement provision (primarily) via an IORP”.
614.	IFoA	Q14	Our particular concern in the context of this question is that the focus on powers that could be only exercised unilaterally may be too limiting	Noted.

			<p>or onerous. This is alongside the points we raise above regarding EIOPA's distinction between insurance contracts and retirement benefit arrangements and the differences between MS legal frameworks for IORPs.</p> <p>If EIOPA opts to retain definitions (which we would caution against), we would request clarification that modifications to benefits or contributions are not mutually exclusive: i.e. it is possible that both are modified at the same time.</p> <p>The legal framework for IORPs varies significantly between MS, so it will be difficult to find definitions that work across the EU, and even where such definitions are possible they will necessarily be so complex that substantial legal input will be required to implement them and this will have profound implications for the cost-effectiveness of the proposals and will risk stifling innovation.</p> <p>This variation in legal frameworks– largely a consequence of labour and social law – leads us to believe that solvency requirements in particular should be delegated to MS as far as possible.</p>	<p>Par. 4.46, a) 2.c. and b) 2.c. cover modifications of both benefits and contributions at the same time ("or" here is not exclusive).</p>
615.	IVS	Q14	<p>Although we understand the principle being reached for, we are uncertain because of the definition's complexity and undefined language. We would recommend that the phrases «unilateral right or obligation to terminate the agreement or to amend contributions/obligations to fully reflect the risk» be included in the definition. Does the mere possibility to do so in future allow the IORP to exclude all future contributions/obligations? If the « full reflection of risk » is valued under a different regime from the one governing TPs, does this fulfil the condition?</p>	<p>Noted.</p>

616.	Jane Marshall Consulting	Q14	The approach suggested here will be costly and onerous for UK schemes with no benefit in risk reduction terms that is not already catered for in domestic law and regulation.	Noted.
617.	NAPF	Q14	<p>Q14: Do stakeholders think that the above definition of contract boundaries for IORPs is in line with the general idea that cash-flows should be recognised if and only if they lead to risks building up in the IORP as described in section 4.2.4 (all those cash-flows should be in technical provisions; no cash-flows where all risks could be avoided should be in technical provisions)?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>The contract boundaries should not be required to include cash flows in respect of benefits linked to future service accrual or linked to contribution payments that had not yet been received by the IORP at the valuation date of the technical provisions. These events have not yet occurred and as such the rights and obligations have not yet arisen.</p> <p>EIOPA should give further thought to the treatment of deficit payments and whether it plans to include these within its definition of 'cash flows'.</p>	Noted.

619.	Pensioenfederatie	Q14	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>Yes, the cashflows should only be recognised if they lead to an unalterable risk.</p>	Noted.
620.	PensionsEurope	Q14	<p>Do stakeholders think that the above definition of contract boundaries for IORPs is in line with the general idea that cash-flows should be recognised if and only if they lead to risks building up in the IORP as described in section 4.2.4 (all those cash-flows should be in technical provisions; no cash-flows where all risks could be avoided should be in technical provisions)?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p>	<p>Noted.</p> <p>Par. 4.26 of the Consultation Paper explains that “risks building up in the IORP” should be understood here as “risks building up for a promise to provide benefits of occupational retirement provision (primarily) via an IORP”.</p>

			<p>Yes, the cashflows only should be recognised if they lead to an unalterable risk. However, we warn this would not fit all situations: For example in Belgium where the IORP has a “best effort” obligation to fulfill the promise but where the risk is borne ultimately by the sponsor, “risk buiding up to the IORP” is difficult to interpret.</p> <p>We understand that the given definition fits our positon to only include cashflows, which are based on agreements which the IORP agreed to manage/execute. This also includes the option of the IORP and other stakeholders to avoid future non-unconditional benefits in order to reduce risk.</p> <p>Generally it is not quite clear whether the definition would apply on a single member basis or would be applied collectively. This would need clarification.</p>	
621.	Punter Southall	Q14	No. Contract boundaries should be limited to events that have occured prior to the valuation date and the attaching rights and obligations of these events. Contract boundaries should not include cash flows in respect of benefits linked to future service accrual or linked to contribution payments that have not been received at the valuation date.	Noted.
624.	RPTCL	Q14	We would classify our IORPs as being under approach (b) per Page 21. Therefore, we have little to comment on the type (a) approach and are not in a position to judge whether the proposed adaption of contract boundaries would be sufficient to cover all IORPs in all member states	Noted.
625.	Society of Pension Professionals	Q14	Do stakeholders think that the above definition of contract boundaries for IORPs is in line with the general idea that cash-flows should be	Noted.

			<p>recognised if and only if they lead to risks building up in the IORP as described in section 4.2.4 (all those cash-flows should be in technical provisions; no cash-flows where all risks could be avoided should be in technical provisions)?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>No. The contract boundaries should not be required to include cash flows in respect of benefits linked to future service accrual or linked to contribution payments that had not yet been received by the IORP at the valuation date of the technical provisions. These events have not yet occurred and as such the rights and obligations have not yet arisen.</p>	
626.	Towers Watson	Q14	Do stakeholders think that the above definition of contract boundaries for IORPs is in line with the general idea that cash-flows should be	Noted.

			<p>recognised if and only if they lead to risks building up in the IORP as described in section 4.2.4 (all those cash-flows should be in technical provisions; no cash-flows where all risks could be avoided should be in technical provisions)?</p> <p>We agree that cash flows should be recognised only to the extent that an obligation to provide benefits has arisen, but are concerned that the definition does not reflect this because it contains undefined terms.</p>	
627.	United Utilities Group	Q14	<p>Q14: Do stakeholders think that the above definition of contract boundaries for IORPs is in line with the general idea that cash-flows should be recognised if and only if they lead to risks building up in the IORP as described in section 4.2.4 (all those cash-flows should be in technical provisions; no cash-flows where all risks could be avoided should be in technical provisions)?</p>	
628.	ZVK-Bau	Q14	<p>Apart from the overall unfitting concept of the HBS for our scheme we agree.</p>	Noted.
629.	OPSG	Q15	<p>One key item missing from the definition is the reference to the unilateral right of the sponsor which is frequently the case, (e. g. Ireland) and less frequently the unilateral right of trustees (there are some UK examples) to terminate the accrual of benefits. The OPSG suggests that this point be captured in 2d.</p> <p>In Germany 1) the sponsoring employer is entitled to stop at any time the contributions to a Pensionskasse or Pensionsfonds in the case that he decides to replace these “financing vehicles” and to deliver future benefits within the pension promise via a direct pension pledge or a support fund or terminate the pension plan as such, with the latter having some legal restrictions; 2) the Pensionskasse will be entitled to adjust for future contributions the benefit level being provided; for example to use more conservative interest rates or biometric tables.</p>	<p>Agreed.</p> <p>Reference to unilateral rights of the sponsor is included in the definition of boundaries of contributions and obligations used in the quantitative assessment.</p>

			In Sweden, the sponsoring employer can, under some circumstances, change/terminate accrual of benefits/adjust future contributions	
630.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q15	We have no additions because the definition is not clear.	Noted.
631.	ACA	Q15	The definition should be restricted to contributions paid / service completed up to the valuation date of the technical provisions.	Noted.
632.	Actuarial Association of Europe	Q15	We suggest waiting for the final definition.	Noted.
633.	AEIP	Q15	This depends on whether the scope of the agreement is defined for a capital requirement or an application as risk management tool.	Noted.
634.	Aon Hewitt	Q15	We refer to the general principles in our response to Q1.	Noted.
635.	Association of Pension Lawyers	Q15	<p>1. For the reasons set out above we do not believe that the level of contributions paid by a sponsor necessarily determines the extent of the benefits provided by the IORP in question. Accordingly, we believe that there are material prospects of such an approach giving rise to unpredicted higher or lower cash flows for the IORP in question.</p> <p>2. It seems that the sensible starting point for any HBS would be to value the IORP's liabilities and then compare those liabilities to its assets. It would seem wrong to start by judging the HBS by reference to contributions which in many cases will have no relevance to benefits provided by the IORP. The IORP Directive refers to the concept of technical provisions and it would seem sensible to use the same concept for any HBS that might be developed.</p>	Noted.
636.	BAPI	Q15	Q15: In case more/higher cash-flows than appropriate (compared with	Noted.

			<p>the general idea) are included in technical provisions according to this definition, how should the definition be amended to exclude them?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>We do not immediately see more/higher cash flows in the technical provision, given the fact that we believe the technical provision contains accrued benefits only and even if future benefit accrual would be taken into account only future contributions covering future benefit accrual are taken into account.</p>	
637.	BASF SE	Q15	<p>This is highly dependent on how one measures the cash flows needed for the risks (see Q5, Q14). There is no reason to exclude this type of exceeding cash flows.</p>	Noted.
638.	Compass Group PLC	Q15	<p>Q15: In case more/higher cash-flows than appropriate (compared with the general idea) are included in technical provisions according to this</p>	

			definition, how should the definition be amended to exclude them?	
639.	D & L Scott	Q15	Ditto	Noted.
640.	Eversheds LLP	Q15		
641.	GDV	Q15	In case more/higher cash-flows than appropriate (compared with the general idea) are included in technical provisions according to this definition, how should the definition be amended to exclude them?	
643.	Heathrow Airport Limited	Q15	Q15: In case more/higher cash-flows than appropriate (compared with the general idea) are included in technical provisions according to this definition, how should the definition be amended to exclude them?	
644.	Hoechst-Gruppe VVaG	Q15	We have no additions because the definition is not clear.	Noted.
645.	IFoA	Q15	If the definitions are to remain, we would suggest adding a "catch all" provision that would exclude cashflows that are not material to the HBS, or if they do not result in risks accumulating in the IORP (for whatever reason). However, we would suggest that the optimal outcome would be for the detailed definitions to be excluded in favour of a principle-based approach.	Noted.
646.	IVS	Q15	We suggest waiting for the final definition.	Noted.
647.	Jane Marshall Consulting	Q15	The approach suggested here will be costly and onerous for UK schemes with no benefit in risk reduction terms that is not already catered for in domestic law and regulation.	Noted.
648.	NAPF	Q15		Noted.

			<p>Q15: In case more/higher cash-flows than appropriate (compared with the general idea) are included in technical provisions according to this definition, how should the definition be amended to exclude them?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>No answer</p>	
650.	Pensioenfederatie	Q15	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>This depends on whether the scope of the agreement is defined for a capital requirement or for an application as risk management tool.</p>	Noted.
651.	PensionsEurope	Q15	<p>In case more/higher cash-flows than appropriate (compared with the general idea) are included in technical provisions according to this</p>	Partially agreed. Reference to

			<p>definition, how should the definition be amended to exclude them?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We are of the opinion that this depends on whether the scope of the agreement is defined for a capital requirement or an application as risk management tool.</p> <p>We think one item missing from the definition proposed is the reference to unilateral rights of another party (the sponsor in most of the cases) to terminate the accrual of benefits.</p>	<p>unilateral rights of the sponsor is included in the definition of boundaries of contributions and obligations used in the quantitative assessment.</p>
652.	Punter Southall	Q15	<p>The definition of contract boundaries should be amended such that contributions paid and benefits accrued are restricted to the valuation date.</p>	<p>Noted.</p>
655.	RPTCL	Q15	<p>In the context of the IORPs where we are the trustee, the approach proposed seems reasonable for benefits built up to the valuation date, as there are provisions within both the IORP and in national law for these obligations to be provided. However, for benefits accrued after the valuation date, the implicit agreement of the IORP and the sponsor need to be given for these to be provided but we are concerned that</p>	<p>Noted.</p>

			these may not be covered by the exclusions set out in (b)2 of 4.2.8. We think it would be better to exclude benefits earned in the future unless a member has a unilateral right for these to be provided at a known fixed future cost.	
656.	Society of Pension Professionals	Q15	<p>In case more/higher cash-flows than appropriate (compared with the general idea) are included in technical provisions according to this definition, how should the definition be amended to exclude them?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>The definition should be restricted to contributions paid / service completed up to the valuation date of the technical provisions.</p>	Noted.
657.	Towers Watson	Q15	In case more/higher cash-flows than appropriate (compared with the general idea) are included in technical provisions according to this	Noted.

			definition, how should the definition be amended to exclude them? This depends on the final standard definition. However, it should exclude future service accrual and contributions to fund such accrual.	
658.	United Utilities Group	Q15	Q15: In case more/higher cash-flows than appropriate (compared with the general idea) are included in technical provisions according to this definition, how should the definition be amended to exclude them?	
659.	ZVK-Bau	Q15	We are unable to comment on that.	Noted.
660.	OPSG	Q16	The OPSG suggests these be covered in the first sentence of 2. by inserting "(unless they do not lead to risk building up in the IORP)" after "dates"	Noted.
661.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q16	We have no additions because the definition is not clear.	Noted.
662.	Actuarial Association of Europe	Q16	We suggest waiting for the final definition.	Noted.
663.	AEIP	Q16	It should be noted that the definition of "risk building up in the IORP" is not applicable to all countries. For instance this is not applicable to Belgian IORPs, as they only have a best effort engagement, while all risks stay with the sponsor.	Noted.
664.	Aon Hewitt	Q16	We refer to the general principles in our response to Q1.	Noted.
665.	Association of Pension Lawyers	Q16	For the reasons set out above we do not believe that the level of contributions paid by a sponsor necessarily determines the extent of the benefits provided by the IORP in question. Accordingly, we believe that there are material prospects of such an approach giving rise to unpredicted higher or lower cash flows for the IORP in question.	Noted.
666.	BAPI	Q16	Q16: In case not all cash-flows which lead to risk building up in the	Noted.

			<p>IORP, as explained in section 4.2.4, are included, with which wording could they be included?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>Please note the notion "risk building up in the IORP" is not applicable for Belgian IORPs. As Belgian IORPs only have a best effort engagement, all risks stay with the sponsor. From paragraphs 4.26 to 4.28 we learn that we should replace "risks building up in the IORP" by "the IORP to provide for benefit payments" where the corresponding risks of the benefit promise are born by the sponsor. Again it is not because the IORP (unilaterally) decides to stop providing the benefit payments that the benefit promise as such is stopped. This would mean the sponsor needs to look for another pension vehicle. Please note as in the Belgian context, the IORP is a pension vehicle set up and often also controlled by the sponsor, the decision that the IORP will no longer provide the benefit payments is a theoretical scenario which will hardly happen in practice. As suggested</p>	
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			before managing/organizing/executing benefits might be more appropriate wording.	
667.	Compass Group PLC	Q16	Q16: In case not all cash-flows which lead to risk building up in the IORP, as explained in section 4.2.4, are included, with which wording could they be included?	
668.	D & L Scott	Q16	Ditto	Noted.
669.	Eversheds LLP	Q16		
670.	GDV	Q16	<p>In case not all cash-flows which lead to risk building up in the IORP, as explained in section 4.2.4, are included, with which wording could they be included?</p> <p>For some schemes contradictions may arise between the contract boundaries as defined in the consultation paper and the unilateral rights of an IORP (see Q23 for instance). This is particularly the case when the IORP undertakes the commitment to implement occupational pension provision, however the exact level of contributions of the sponsor are not specified yet and can be adjusted according to the true risk.</p>	Noted.
672.	Heathrow Airport Limited	Q16	Q16: In case not all cash-flows which lead to risk building up in the IORP, as explained in section 4.2.4, are included, with which wording could they be included?	
673.	Hoechst-Gruppe VVaG	Q16	We have no additions because the definition is not clear.	Noted.

674.	IFoA	Q16	If the definitions are to remain, we would suggest adding a “catch all” provision that would exclude cashflows that are not material to the HBS, or if they do not result in risks accumulating in the IORP (for whatever reason). However, we would suggest that the optimal outcome would be for the detailed definitions to be excluded in favour of a principle-based approach.	Noted.
675.	IVS	Q16	We suggest waiting for the final definition.	Noted.
676.	Jane Marshall Consulting	Q16	The approach suggested here will be costly and onerous for UK schemes with no benefit in risk reduction terms that is not already catered for in domestic law and regulation.	Noted.
677.	NAPF	Q16	<p>Q16: In case not all cash-flows which lead to risk building up in the IORP, as explained in section 4.2.4, are included, with which wording could they be included?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>No answer</p>	Noted.
679.	Pensioenfederatie	Q16	No answer.	Noted.
680.	PensionsEurope	Q16	In case not all cash-flows which lead to risk building up in the IORP, as	Noted.

			<p>explained in section 4.2.4, are included, with which wording could they be included?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>PensionsEurope notes that the notion of “risk building up in the IORP” is not applicable for some IORPs. As noted before, Belgian IORPs only have a “best effort” engagement whereby all risks stay with the sponsor. From paragraphs 4.26 to 4.28 we learn that we should replace “risks building up in the IORP” by “the IORP to provide for benefit payments” where the corresponding risks of the benefit promise are borne by the sponsor. Again it is not because the IORP (unilaterally) decides to stop providing the benefit payments that the benefit promise as such is stopped: This could mean the sponsor needs to look for another pension vehicle. Please note as in the Belgian context, the IORP is a pension vehicle set up and often also controlled by the sponsor, the decision that the IORP will no longer provide the benefit payments is a theoretical scenario which will hardly happen in practice. Managing/organizing/executing benefits might be more appropriate wording.</p>	
683.	RPTCL	Q16	We cannot think of any scenarios where additional scenarios need to be added.	Noted.

684.	Society of Pension Professionals	Q16	In case not all cash-flows which lead to risk building up in the IORP, as explained in section 4.2.4, are included, with which wording could they be included?	
685.	Towers Watson	Q16	In case not all cash-flows which lead to risk building up in the IORP, as explained in section 4.2.4, are included, with which wording could they be included?	
686.	United Utilities Group	Q16	Q16: In case not all cash-flows which lead to risk building up in the IORP, as explained in section 4.2.4, are included, with which wording could they be included?	
687.	ZVK-Bau	Q16	We are unable to comment on that.	Noted.
688.	OPSG	Q17	The OPSG believes the wording should be extended to at least capture the unilateral right of the sponsor and/or other parties. As mentioned in our answer to question 3, our preference is that the Directive requires that technical provisions be established for benefits accrued up to the date of the holistic balance sheet (HBS), but not after that date, except where no party has the right to terminate the accrual of benefits or to adjust the level of contributions paid into the future. In this latter case, technical provisions should be established in respect of all benefits due to be accrued by existing members up to their expected retirement date, and the present value of future contributions due over that period should be accounted for as an asset in the HBS. Termination in some countries (e.g.UK) is also not the same necessarily as winding up the IORP, and it may be necessary to make it clearer in the text that termination means termination of accrual of future benefits, not necessarily termination of the IORP.	Partially agreed. Reference to unilateral rights of the sponsor is included in the definition of boundaries of contributions and obligations used in the quantitative assessment.
689.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q17	We think that it might be generally possible to work with the given definition; however, there might be problems with the boundaries of the definition in individual cases. The delivery of occupational pensions	Noted.

			is too diverse for a conclusive assessment.	
690.	ACA	Q17	No. Recognition of the powers / rights of the sponsor should be included within the definition.	Agreed. Reference to unilateral rights of the sponsor is included in the definition of boundaries of contributions and obligations used in the quantitative assessment.
691.	Actuarial Association of Europe	Q17	Although we understand the principle being reached for, we are uncertain because of the definition's complexity and undefined language. We would recommend that the phrases «unilateral right or obligation to terminate the agreement or to amend contributions/obligations to fully reflect the risk» be included in the definition. Does the mere possibility to do so in future allow the IORP to exclude all future contributions/obligations? If the « full reflection of risk » is valued under a different regime to the one governing TPs, does this fulfil the condition?	Noted.
692.	AEIP	Q17	AEIP believes that the wording is not appropriate, as it does not mention the triangular relationship among the employee, the employer and the institution, as well as the role of social partners. For capital requirement purposes, the scope of the agreement should be limited to unconditional benefits accrued to date. For risk management purposes, other cashflows can be included in the	Noted.

			definition of the scope of the agreement.	
693.	Aon Hewitt	Q17	We refer to the general principles in our response to Q1.	Noted.
694.	Association of Pension Lawyers	Q17	The application of a contribution-based test in respect of insurance contracts does not necessarily translate appropriately to scheme sponsored IORPs.	Noted.
695.	BAPI	Q17	<p>Q17: Is the wording of the definition appropriate for IORPs?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>We would prefer the definition better reflects the triangular relationship and clarifies that ending the provision of benefit payments by the IORP can either be due to a unilateral decision of the IORP to stop the "management agreement" (see Q1) between the IORP and the sponsor or by amending/stopping the "benefit promise" (see Q1) according to a procedure as stipulated by national social and labour</p>	<p>Partially agreed.</p> <p>Reference to unilateral rights of the sponsor is included in the definition of boundaries of contributions and obligations used in the quantitative assessment.</p>

			<p>law – so either the sponsor unilaterally or a decision of social partners and/or members and beneficiaries.</p> <p>We would prefer to use the term “...amend the agreement with...” instead of “terminate” as this is more in line with common practice.</p> <p>We are not convinced it is important to know who has the right or the unilateral right to change the contract/agreement/pension promise (the IORP, the sponsor, the social partners, ...), the question is can the contract/agreement/pension promise be ended or amended. If so, whatever the procedure is to do so, future benefit accruals/contributions do not need to be considered for the technical provisions.</p>	
696.	Barnett Waddingham LLP	Q17	We believe that any necessary definitions should be set by national regulators who will have an understanding of the appropriate terminology.	Noted.
697.	BASF SE	Q17	We do not understand the condition 4.46.a)2.b / 4.46.b)2.b; if the IORP has the unilateral right to reject additional contributions after a special date, why should the cash-flows for benefits after that date not be incorporated in the cash flows.	Noted.
698.	Compass Group PLC	Q17	Q17: Is the wording of the definition appropriate for IORPs?	
699.	D & L Scott	Q17	Categorically no, for the reasons given earlier above.	Noted.
700.	EEF	Q17	No – see our response to Q1. We do not accept that a definition based on contract boundaries is appropriate.	Noted.
701.	Eversheds LLP	Q17	Eversheds does not support the introduction of the Holistic Balance	Noted.

			<p>Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>No, we do not think that the definition is appropriate on the basis that we think that the Holistic Balance Sheet should focus on accrued rights and not future liabilities (i.e. those accruing after the valuation date), the value of which will by their very nature be uncertain. In our view, including future liabilities in the holistic balance sheet, certainly in a UK context (where actuarial valuations currently focus on accrued liabilities only), would introduce added uncertainty which would make the holistic balance sheet less meaningful. If this approach is not appropriate for all Member States, we suggest that this is something that should be left for national regulators to determine.</p> <p>If EIOPA decides to stick with the approach outlined in 4.46 of the consultation paper, notwithstanding our comments above, there are a number of issues that would need to be addressed, including:</p> <p>(i) in the UK it is not common for an IORP to have a unilateral right to terminate the agreement with the sponsor and/or members, to reject future contributions or to amend contributions or benefits except in extremis. Therefore, paragraphs 2 a,b and c would not be appropriate in a UK context.</p> <p>(ii) it may be difficult in some circumstances to determine the appropriate future date for the purposes of paragraphs 2 a, b and c. For example, would it need to take account of the time it would take to implement the changes and to consult with members?</p>	
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			(iii) the proposed definition of contract boundaries fails to take account of the fact that cash-flows relating to obligations may be terminated in other circumstances, such as a member deciding to leave the scheme or the death of a member. This means that if future liabilities are included in the holistic balance sheet, IORPs may materially overestimate those liabilities.	
702.	GDV	Q17	<p>Is the wording of the definition appropriate for IORPs?</p> <p>The definition may not, in all cases, be consistent with the HBS concept. Difficulties could arise, for example, if the employer bears the risks and the contributions of the sponsor could be adjusted according to the risk.</p>	Noted.
704.	Heathrow Airport Limited	Q17	Q17: Is the wording of the definition appropriate for IORPs?	
705.	Hoechst-Gruppe VVaG	Q17	We think that it might be generally possible to work with the given definition; however, there might be problems with the boundaries of the definition in individual cases. The delivery of occupational pensions is too diverse for a conclusive assessment.	Noted.
706.	IFoA	Q17	Our particular concern in the context of this question is that the focus on powers that could be only exercised unilaterally may be too limiting or onerous. This is alongside the points we raise above regarding EIOPA's distinction between insurance contracts and retirement benefit arrangements and the differences between MS legal frameworks for IORPs.	<p>Noted.</p> <p>Par. 4.46, a) 2.c. and b) 2.c. cover modifications of both benefits and contributions at the</p>

			<p>If EIOPA opts to retain definitions (which we would caution against), we would request clarification that modifications to benefits or contributions are not mutually exclusive: i.e. it is possible that both are modified at the same time.</p> <p>The legal framework for IORPs varies significantly between MS, so it will be difficult to find definitions that work across the EU, and even where such definitions are possible they will necessarily be so complex that substantial legal input will be required to implement them and this will have profound implications for the cost-effectiveness of the proposals and will risk stifling innovation.</p> <p>This variation in legal frameworks– largely a consequence of labour and social law – leads us to believe that solvency requirements in particular should be delegated to MS as far as possible.</p>	same time (“or” here is not exclusive).
707.	IVS	Q17	<p>Although we understand the principle being reached for, we are uncertain because of the definition’s complexity and undefined language. We would recommend that the phrases «unilateral right or obligation to terminate the agreement or to amend contributions/obligations to fully reflect the risk» be included in the definition. Does the mere possibility to do so in future allow the IORP to exclude all future contributions/obligations? If the « full reflection of risk » is valued under a different regime to the one governing TPs, does this fulfil the condition?</p>	Noted.
708.	Jane Marshall Consulting	Q17	<p>The approach suggested here will be costly and onerous for UK schemes with no benefit in risk reduction terms that is not already catered for in domestic law and regulation.</p>	Noted.

709.	NAPF	Q17	<p>Q17: Is the wording of the definition appropriate for IORPs?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>No. As discussed in answer to Q1 above, the concept of ‘contract boundaries’ does not work well for IORPs – as the consultation paper comes close to recognising in para 4.22.</p>	Noted.
712.	Pensioenfederatie	Q17	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>For capital requirement purposes, the scope of the agreement should be limited to unconditional benefits accrued to date.</p>	Noted.

			For risk management purposes, other cashflows can be included in the definition of the scope of the agreement.	
713.	PensionsEurope	Q17	<p>Is the wording of the definition appropriate for IORPs?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>Again, we think the wording should be extended to capture at least the rights of other parties and therefore better reflect the triangular relationship between the IORP, the sponsor and the members/beneficiaries. In the end, the key question is whether the contract/agreement/promise can be ended/amended or not.</p> <p>We think that it might be generally possible to work with the given definition; however, there might be problems with the boundaries of the definition in individual cases. The delivery of occupational pensions is too diverse for a conclusive assessment.</p> <p>For capital requirement purposes –if any-, the scope of the agreement should be limited to unconditional benefits accrued to date. For risk management purposes, other cashflows could be included in the definition of the scope of the agreement.</p>	<p>Partially agreed.</p> <p>Reference to unilateral rights of the sponsor is included in the definition of boundaries of contributions and obligations used in the quantitative assessment.</p>

			Finally, "contract boundaries" is not the most appropriate term (see Q1).	
714.	Punter Southall	Q17	No. The definition of contract boundaries should also include the powers of other parties (such as the sponsor).	Partially agreed. Reference to unilateral rights of the sponsor is included in the definition of boundaries of contributions and obligations used in the quantitative assessment.
717.	RPTCL	Q17	We would consider it appropriate for the wording to be adapted so that it better caters for the scenario of the IORP involving a three-way agreement between the sponsor, the IORP's members and the IORP itself.	Noted.
718.	Society of Pension Professionals	Q17	Is the wording of the definition appropriate for IORPs? Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.	Partially agreed. Reference to unilateral rights of the sponsor is included in the definition of boundaries of contributions and obligations used in the quantitative

			<p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>No. Recognition of the powers / rights of the sponsor should be included within the definition. (Currently only the unilateral powers / rights of the IORP are reflected. As noted in 4.25 it is not generally the IORP that makes the benefit promises, but sponsors/employers use an IORP as a vehicle to provide the promised benefits.)</p>	assessment.
720.	Towers Watson	Q17	<p>Is the wording of the definition appropriate for IORPs?</p> <p>No. The definition of contract boundaries (or any variation of this definition) should be expanded to include the rights of the sponsor as well as the IORP itself, as one or both may have the power to unilaterally or jointly terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk.</p>	<p>Partially agreed.</p> <p>Reference to unilateral rights of the sponsor is included in the definition of boundaries of contributions and obligations used in the quantitative assessment.</p>
721.	United Utilities Group	Q17	Q17: Is the wording of the definition appropriate for IORPs?	
722.	ZVK-Bau	Q17	As mentioned before (answer to Q4) we regard the definition as too simple for the complex triangular relationship embedded in a complex	Noted.

			legal framework and subject to jurisdiction.	
723.	OPSG	Q18	It would be preferable if 2. a. and b. were combined. In any event 2.a. should also include IORP (and sponsor) rights to terminate or amend the agreement with the plan members to provide the pension benefits e.g. Germany, Ireland, UK. Amendment rather than termination is frequently used to reduce future accrual.	Noted.
724.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q18	We do not see any advantages in the suggested amendments to the definition. We prefer a slightly longer but comprehensible and clear definition over a short one which is ambiguous.	Noted.
725.	ACA	Q18	We recommend retaining both 2.a. and b. The points made are distinct, for example steps can be taken to prevent additional obligations being granted, but the IORP could continue to operate in respect of the previously accrued obligations without having to be terminated. Additionally, a number of sponsors may participate in the same IORP. The agreement for one of these sponsors could be terminated whereas the IORP continues in operation for the others.	Noted.
726.	Actuarial Association of Europe	Q18	Ideally, 2a and 2b should be combined, if this makes the definition easier to follow.	Noted.
727.	AEIP	Q18	AEIP does not see any major advantage in the definitions suggested. However, both a and b should be included, as situations could arise where the agreement is not terminated, but no more new benefits are accrued.	Noted.
728.	Aon Hewitt	Q18	We refer to the general principles in our response to Q1.	Noted.
729.	Association of Pension	Q18	No in respect of scheme sponsored IORPS for the reasons provided.	Noted.

	Lawyers			
730.	BAPI	Q18	<p>Q18: Is it necessary to have both 2. a. and b. in the above definition, or could a. be restricted to cases where a termination of the agreement leads to a stop of additional contributions and/or the repayment of contributions received/payment of a surrender value (and then maybe a. and b. could be combined)?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>We have no comment.</p>	Noted.
731.	BASF SE	Q18	See Q17.	Noted.
732.	Compass Group PLC	Q18	Q18: Is it necessary to have both 2. a. and b. in the above definition, or could a. be restricted to cases where a termination of the agreement leads to a stop of additional contributions and/or the repayment of contributions received/payment of a surrender value	

			(and then maybe a. and b. could be combined)?	
733.	D & L Scott	Q18	No, because the definition is unhelpful and unnecessary.	Noted.
734.	Eversheds LLP	Q18	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>It is not clear to us exactly what 2a and 2b relate to or the circumstances in which they would apply (e.g. does 2a only relate to future obligations or does it relate to the termination of past and future obligations?). This needs to be clarified if the holistic balance sheet is developed further.</p>	Noted.
735.	FFSA	Q18	2a + 2b since the insured / plan members are less protected if contributions funding the future rights are not paid.	Noted.
736.	FVPK	Q18	<p>Is it necessary to have both 2. a. and b. in the above definition, or could a. be restricted to cases where a termination of the agreement leads to a stop of additional contributions and/or the repayment of contributions received/payment of a surrender value (and then maybe a. and b. could be combined)?</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not</p>	Noted.

			place excessive burdens on occupational pension schemes in Austria. Both a) and b) should be included. The decision whether to apply a) or b) is not unique for one IORP but is unique for one pensions agreement between employer and employee (which can be a collective one). We favor a slightly longer but comprehensible and clear definition over a short one which is ambiguous.	
737.	GDV	Q18	Is it necessary to have both 2. a. and b. in the above definition, or could a. be restricted to cases where a termination of the agreement leads to a stop of additional contributions and/or the repayment of contributions received/payment of a surrender value (and then maybe a. and b. could be combined)?	
739.	Heathrow Airport Limited	Q18	Q18: Is it necessary to have both 2. a. and b. in the above definition, or could a. be restricted to cases where a termination of the agreement leads to a stop of additional contributions and/or the repayment of contributions received/payment of a surrender value (and then maybe a. and b. could be combined)?	
740.	Hoechst-Gruppe VVaG	Q18	We do not see any advantages in the suggested amendments to the definition. We prefer a slightly longer but comprehensible and clear definition over a short one which is ambiguous.	Noted.
741.	IFoA	Q18	Were EIOPA to adopt our preferred principles based approach outlined above, Q18 becomes redundant. . If EIOPA opts to maintain the detailed definitions, we believe that it will be necessary to have both 2a and 2b but it would be better if they could be combined.	Noted.
742.	IVS	Q18	Ideally, 2a and 2b should be combined, if this makes the definition	Noted.

			easier to follow.	
743.	Jane Marshall Consulting	Q18	The approach suggested here will be costly and onerous for UK schemes with no benefit in risk reduction terms that is not already catered for in domestic law and regulation.	Noted.
744.	NAPF	Q18	<p>Q18: Is it necessary to have both 2. a. and b. in the above definition, or could a. be restricted to cases where a termination of the agreement leads to a stop of additional contributions and/or the repayment of contributions received/payment of a surrender value (and then maybe a. and b. could be combined)?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>No answer</p>	Noted.
747.	Pensioenfederatie	Q18	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p>	Noted.

			Both a and b should be included, as situations could arise where the agreement is not terminated, but no additional new benefits are accrued.	
748.	PensionsEurope	Q18	<p>Is it necessary to have both 2. a. and b. in the above definition, or could a. be restricted to cases where a termination of the agreement leads to a stop of additional contributions and/or the repayment of contributions received/payment of a surrender value (and then maybe a. and b. could be combined)?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>Both a) and b) should be included, as situations could arise where the agreement is not terminated, but no more new benefits are accrued. We favor a slightly longer but comprehensible and clear definition over a short one which is ambiguous.</p>	Noted.
751.	RPTCL	Q18	Yes, in our experience, powers relating relating to provisions of additional obligations can be very different to those involved with the reduction or termination of those obligations. Therefore, it would be more appropriate to retain the distinction between a and b, if contract	Noted.

			boundaries were considered necessary to apply. Given the complexity of the relationships between IORPs, sponsors and members, future obligations and cashflows should only be recognised once all conditionality in relation to future benefit accrual has been removed i.e. once the benefit has been accrued.	
752.	Society of Pension Professionals	Q18	<p>Is it necessary to have both 2. a. and b. in the above definition, or could a. be restricted to cases where a termination of the agreement leads to a stop of additional contributions and/or the repayment of contributions received/payment of a surrender value (and then maybe a. and b. could be combined)?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>We recommend retaining both 2.a. and b. The points made are distinct, for example steps can be taken to prevent additional</p>	Noted.

			<p>obligations being granted, but the IORP could continue to operate in respect of the previously accrued obligations without having to be terminated.</p> <p>Additionally, a number of sponsors may participate in the same IORP. The agreement for one of these sponsors could be terminated whereas the IORP continues in operation for the others.</p>	
753.	Towers Watson	Q18	<p>Is it necessary to have both 2. a. and b. in the above definition, or could a. be restricted to cases where a termination of the agreement leads to a stop of additional contributions and/or the repayment of contributions received/payment of a surrender value (and then maybe a. and b. could be combined)?</p> <p>2a and 2b could be combined, but the points in each are separate. For example, the obligation to provide rights in relation to future service could terminate without impacting on the obligation to provide previously accrued rights. It's also quite possible within a multi-employer IORP that the obligation terminates for one (or more) employers, but that for the others continues.</p>	Noted.
754.	United Utilities Group	Q18	<p>Q18: Is it necessary to have both 2. a. and b. in the above definition, or could a. be restricted to cases where a termination of the agreement leads to a stop of additional contributions and/or the repayment of contributions received/payment of a surrender value (and then maybe a. and b. could be combined)?</p>	
755.	ZVK-Bau	Q18	See answer to Q17.	Noted.
756.	OPSG	Q19	As mentioned earlier, the main item missing is the unilateral right of the sponsor, or the unilateral right of trustees, or their joint exercise of the power to terminate. There may be instances where the rights of other interested parties may be relevant i.e. regulator, social partners.	<p>Partially agreed.</p> <p>Reference to unilateral rights of the sponsor is included in the definition of</p>

				boundaries of contributions and obligations used in the quantitative assessment.
757.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q19	Yes. For example regarding the mentioned non-unconditional benefits, it should be considered that if there is a consensus among all stakeholders, they can be avoided with the aim of reducing risk.	Noted.
758.	ACA	Q19	The rights of the sponsor should be reflected in the definition.	Partially agreed. Reference to unilateral rights of the sponsor is included in the definition of boundaries of contributions and obligations used in the quantitative assessment.
759.	Actuarial Association of Europe	Q19	We are not aware of any such cases.	Noted.
760.	AEIP	Q19	AEIP believes that this definition does not fully recognize the triangular relationship among the employee, the employer and the institution. AEIP believes that it is not fully relevant to know who has the right or the unilateral right to change the contract/agreement/pension promise (the IORP, the sponsor, the social partners, ...). It should rather be important to focus on whether the contract/agreement/pension	Noted.

			promise can be ended or amended. If that is the case, whatever the procedure is to do so, future benefit accruals/contributions should not be considered for the technical provisions.	
761.	Aon Hewitt	Q19	We refer to the general principles in our response to Q1.	Noted.
762.	Association of Pension Lawyers	Q19	We believe it may be helpful to include prospective beneficiaries within the definition of beneficiaries.	Noted.
763.	Atradius Credit Insurance NV	Q19	The definition of contract boundaries (or any variation of this definition) should be expanded to include the rights of the sponsor as well as the IORP itself, as one or both may have the power to unilaterally or jointly terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk.	Partially agreed. Reference to unilateral rights of the sponsor is included in the definition of boundaries of contributions and obligations used in the quantitative assessment.
764.	BAPI	Q19	<p>Q19: Are there additional rights of the IORP or another party (unilateral or not) which should be considered in the definition (see section 4.2.4)?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset</p>	Partially agreed. Reference to unilateral rights of the sponsor is included in the definition of boundaries of contributions and obligations used in the quantitative assessment.

			<p>Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>Yes, we would prefer the definition better reflects the triangular relationship and clarifies that ending the provision of benefit payments by the IORP can either be due to a unilateral decision of the IORP to stop the "management agreement" (see Q1) between the IORP and the sponsor or by amending/stopping the "benefit promise" (see Q1) according to a procedure as stipulated by national social and labour law – so either the sponsor unilaterally or a decision of social partners and/or members and beneficiaries.</p> <p>We are not convinced it is important to know who has the right or the unilateral right to change the contract/agreement/pension promise (the IORP, the sponsor, the social partners, ...), the question is can the contract/agreement/pension promise be ended or amended. If so, whatever the procedure is to do so, future benefit accruals/contributions do not need to be considered for the technical provisions.</p>	
765.	Barnett Waddingham LLP	Q19	<p>Rights of the sponsor should be included in the definition. In particular, for the UK, the employer has the right to modify or cease future accrual and we would not expect the technical provisions to include cashflows in respect of benefits arising from future service.</p>	<p>Agreed.</p> <p>Reference to unilateral rights of the sponsor is included in the definition of</p>

				boundaries of contributions and obligations used in the quantitative assessment.
766.	BASF SE	Q19	Yes.	Noted.
768.	Compass Group PLC	Q19	Q19: Are there additional rights of the IORP or another party (unilateral or not) which should be considered in the definition (see section 4.2.4)?	
769.	D & L Scott	Q19	There are additional rights under the United Kingdom legislative framework, depending on whether a sponsor is trying to reduce, terminate or abandon IORP obligations. The role of Member State Regulators alongside IORP trustees' rights needs to be recognised in any analysis.	Noted.
770.	Eversheds LLP	Q19	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>Yes, the proposed definition of contract boundaries fails to take account of the fact that cash-flows relating to future obligations may be terminated in other circumstances, such as a member deciding to leave the scheme or the death of a member. This means that if future liabilities are included in the holistic balance sheet, IORPs may materially overestimate those liabilities.</p>	Noted.

771.	FVPK	Q19	<p>Are there additional rights of the IORP or another party (unilateral or not) which should be considered in the definition (see section 4.2.4)?</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>It is not usual but might be that an IORP covers the optional additional guarantees or part of them by an insurance contract.</p>	Noted.
772.	GDV	Q19	<p>Are there additional rights of the IORP or another party (unilateral or not) which should be considered in the definition (see section 4.2.4)</p>	
773.	GE	Q19	<p>Are there additional rights of the IORP or another party (unilateral or not) which should be considered in the definition (see section 4.2.4)?</p> <p>The definition of contract boundaries (or any variation of this definition) should be expanded to include the rights of the sponsor as well as the IORP itself, as one or both may have the power to unilaterally or jointly terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk.</p>	<p>Partially agreed.</p> <p>Reference to unilateral rights of the sponsor is included in the definition of boundaries of contributions and obligations used in the quantitative assessment.</p>
774.	GE Pension Trustees	Q19	<p>Are there additional rights of the IORP or another party (unilateral or</p>	Partially agreed.

	Limited		<p>not) which should be considered in the definition (see section 4.2.4)?</p> <p>The definition of contract boundaries (or any variation of this definition) should be expanded to include the rights of the sponsor as well as the IORP itself, as one or both may have the power to unilaterally or jointly terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk. These powers may be set out under the IORP's governing documentation or, in some cases, be provided through overriding local legislative requirements.</p> <p>The proposed definition of contract boundaries also fails to take account of the fact that cash-flows relating to future obligations may be terminated in other circumstances, such as a member deciding to leave the scheme or the death of a member. This means that if future liabilities are included in the holistic balance sheet, IORPs may materially overestimate those liabilities.</p>	<p>Reference to unilateral rights of the sponsor is included in the definition of boundaries of contributions and obligations used in the quantitative assessment.</p>
776.	Heathrow Airport Limited	Q19	Q19: Are there additional rights of the IORP or another party (unilateral or not) which should be considered in the definition (see section 4.2.4)?	
777.	Hoechst-Gruppe VVaG	Q19	Yes. For example regarding the mentioned non-unconditional benefits, it should be considered that if there is a consensus among all stakeholders, they can be avoided with the aim of reducing risk.	Noted.
778.	IFoA	Q19	Were EIOPA to adopt a principles based approach, we would suggest that those principles take account of the rights of all parties that may	Noted.

			jointly or unilaterally amend the cashflows on either, or both, the asset and liability sides of the HBS. This would include member options and might include the powers of national supervisors to effect such changes.	
779.	IVS	Q19	We are not aware of any.	Noted.
780.	Jane Marshall Consulting	Q19	The approach suggested here will be costly and onerous for UK schemes with no benefit in risk reduction terms that is not already catered for in domestic law and regulation.	Noted.
781.	NAPF	Q19	<p>Q19: Are there additional rights of the IORP or another party (unilateral or not) which should be considered in the definition (see section 4.2.4)?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>The rights of the sponsor should be reflected in the definition.</p>	<p>Partially agreed.</p> <p>Reference to unilateral rights of the sponsor is included in the definition of boundaries of contributions and obligations used in the quantitative assessment.</p>
784.	Pensioenfederatie	Q19	We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.	Noted.

			<p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>In the Netherlands IORPs do have the unilateral right to terminate the contract. This situation is covered by a definition in the Dutch Pension Act.</p>	
785.	PensionsEurope	Q19	<p>Are there additional rights of the IORP or another party (unilateral or not) which should be considered in the definition (see section 4.2.4)?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>As previously stressed, the definition should also consider the unilateral right of the sponsor, or the unilateral right of the trustees (or their joint exercise) or the IORP to terminate the promise. In the end, the key question is whether the contract/agreement/promise can be ended/amended or not.</p> <p>Moreover, for example regarding the mentioned non-unconditional benefits, it should be considered that if there is a consensus among all</p>	<p>Partially agreed.</p> <p>Reference to unilateral rights of the sponsor is included in the definition of boundaries of contributions and obligations used in the quantitative assessment.</p>

			stakeholders, they can be avoided with the aim of reducing risk.	
788.	RPTCL	Q19	In the event that it were considered appropriate to pursue such an approach, we would suggest something to cover the distinction between the reduction and termination of future obligations, as the balance of powers between the IORP and its sponsor can be different under these scenarios.	Noted.
789.	Society of Pension Professionals	Q19	<p>Are there additional rights of the IORP or another party (unilateral or not) which should be considered in the definition (see section 4.2.4)?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>The rights of the sponsor should be reflected in the definition.</p>	<p>Partially agreed.</p> <p>Reference to unilateral rights of the sponsor is included in the definition of boundaries of contributions and obligations used in the quantitative assessment.</p>

790.	Towers Watson	Q19	<p>Are there additional rights of the IORP or another party (unilateral or not) which should be considered in the definition (see section 4.2.4)?</p> <p>The definition of contract boundaries (or any variation of this definition) should be expanded to include the rights of the sponsor as well as the IORP itself, as one or both may have the power to unilaterally or jointly terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk.</p>	<p>Partially agreed.</p> <p>Reference to unilateral rights of the sponsor is included in the definition of boundaries of contributions and obligations used in the quantitative assessment.</p>
791.	United Utilities Group	Q19	Q19: Are there additional rights of the IORP or another party (unilateral or not) which should be considered in the definition (see section 4.2.4)?	
792.	ZVK-Bau	Q19	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes. As mentioned before (see answer to Q2) in the case of relationships based on social contracts social partners' rights much less restrictive than in private insurance contracts based on contractual law only. They are regularly negotiable not only for future service but even for past service. Limits are set by social and labour law mostly and they are subject to interpretation by court decisions.	Noted.
793.	OPSG	Q20	Yes. However, it would be helpful to clarify this point (where relevant) as technical provisions are associated more with out-going cash-flows	Noted.
794.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q20	Yes.	Noted.
795.	ACA	Q20	Yes.	Noted.
796.	Actuarial Association of	Q20	Yes.	Noted.

	Europe			
797.	AEIP	Q20	<p>AEIP does not believe that the HBS might serve as an adequate tool for prudential supervision.</p> <p>It should neither be used for capital requirements nor as an information tool towards scheme members. If any concrete use for the HBS should be sought, the HBS could possibly have a limited value as a risk management tool. However, it is still too complex for small and medium sized IORPs, and there are less complex (and more efficient) methods that might be used.</p> <p>AEIP answered all questions of the consultation despite of these doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>Yes. In definition b this is not obvious, and also should not be the case. Technical provisions should be based on benefit obligations only in case these are established independently from the contributions paid.</p>	Noted.
798.	AGV Chemie	Q20	Yes	Noted.
799.	Aon Hewitt	Q20	We refer to the general principles in our response to Q1.	Noted.
800.	Association of Pension Lawyers	Q20	For the reasons mentioned, whilst there are grounds for contributions to be a predictive element of benefits in respect of insurance contracts (albeit not wholly predictive) we do not believe that they are sufficiently predictive or appropriate in the case of scheme sponsored IORPS.	Noted.
801.	BAPI	Q20	Q20: Is it clear from the proposed wording of the definition that in	Noted.

			<p>principle not only benefits (out-going cash-flows), but also contributions (incoming cash-flows) have to be recognized in technical provisions?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>Yes, although it might be necessary to specify that only cash flows linked to benefit accrual should be considered.</p>	
802.	BASF SE	Q20	Yes.	Noted.
803.	BDA	Q20	Yes	Noted.
804.	Better Finance	Q20	Yes.	Noted.
805.	Compass Group PLC	Q20	Q20: Is it clear from the proposed wording of the definition that in principle not only benefits (out-going cash-flows), but also contributions (incoming cash-flows) have to be recognized in technical	

			provisions?	
806.	D & L Scott	Q20	<p>It is not clear to me what allowed is being made for expected investment income and other realisable returns. If the discounted present value of obligations is simply being compared with the (flawed) mark-to-market values of assets then, while I agree this offers a form of “balance sheet”, it is not particularly helpful. A framework based on cash flow forecasts, budgets and projections is altogether more helpful.</p> <p>One may draw an analogy with other businesses – it is surely preferable to manage a retail business, say, through the use of budgetary control based on forecast and actual cash flows, than to “manage” it using a snapshot/point-in-time “balance sheet”, holistic or otherwise.</p>	Noted.
807.	EEF	Q20	Yes.	Noted.
808.	Eversheds LLP	Q20	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>In the UK we use technical provisions to refer to the liabilities of an IORP, so we are confused by the link between cash-flows and technical provisions drawn in the consultation paper. EIOPA needs to clarify this.</p>	Noted.

809.	Evonik Industries AG	Q20	Yes	Noted.
810.	FFSA	Q20	Yes.	Noted.
811.	FSUG	Q20	Yes.	Noted.
812.	GDV	Q20	<p>Is it clear from the proposed wording of the definition that in principle not only benefits (out-going cash-flows), but also contributions (incoming cash-flows) have to be recognized in technical provisions?</p> <p>The boundaries of “regular contributions” are not entirely clear. For example, for German Pensionsfonds the payment of the employer should be not considered as a sponsor support in case of underfunding but rather as contractually agreed additional payments made by employer. Furthermore, the definition should be consistent with the definition for insurance undertakings.</p>	Noted.
814.	Heathrow Airport Limited	Q20	Q20: Is it clear from the proposed wording of the definition that in principle not only benefits (out-going cash-flows), but also contributions (incoming cash-flows) have to be recognized in technical provisions?	
815.	Hoechst-Gruppe VVaG	Q20	Yes.	Noted.
816.	IFoA	Q20	This point has caused considerable confusion and we would welcome further clarification from EIOPA.	Noted.
817.	IVS	Q20	Yes. But we do recommend that the definition be further clarified.	Noted.
818.	Jane Marshall Consulting	Q20	The approach suggested here will be costly and onerous for UK schemes with no benefit in risk reduction terms that is not already catered for in domestic law and regulation.	Noted.

819.	NAPF	Q20	<p>Q20: Is it clear from the proposed wording of the definition that in principle not only benefits (out-going cash-flows), but also contributions (incoming cash-flows) have to be recognized in technical provisions?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>Yes.</p>	Noted.
821.	Otto Group	Q20	Yes	Noted.
822.	Pensioenfederatie	Q20	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>In definition b, this is not obvious and neither should this be the case. Technical provisions should only be based on benefit obligations in</p>	Noted.

			case these are established independently from the contributions paid.	
823.	PensionsEurope	Q20	<p>Is it clear from the proposed wording of the definition that in principle not only benefits (out-going cash-flows), but also contributions (incoming cash-flows) have to be recognized in technical provisions?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>This is not obvious in definition b). Technical provisions should be based on benefit obligations only in case these are established independently from the contributions paid.</p>	Noted.
826.	RPTCL	Q20	No, this is not fully clear and it would be preferable to explicitly stipulate reference to incoming and outgoing cashflows.	Noted.
827.	Siemens Pensionsfonds	Q20	Yes	Noted.
828.	Society of Pension Professionals	Q20	<p>Is it clear from the proposed wording of the definition that in principle not only benefits (out-going cash-flows), but also contributions (incoming cash-flows) have to be recognized in technical provisions?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In</p>	Noted.

			<p>particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>Yes.</p>	
830.	Towers Watson	Q20	<p>Is it clear from the proposed wording of the definition that in principle not only benefits (out-going cash-flows), but also contributions (incoming cash-flows) have to be recognized in technical provisions?</p> <p>Yes.</p>	Noted.
831.	United Utilities Group	Q20	<p>Q20: Is it clear from the proposed wording of the definition that in principle not only benefits (out-going cash-flows), but also contributions (incoming cash-flows) have to be recognized in technical provisions?</p>	
832.	ZVK-Bau	Q20	<p>Apart from the overall unfitting concept of the HBS for our scheme the answer is yes.</p>	Noted.
833.	OPSG	Q21	<p>Yes</p>	Noted.
834.	aba	Q21	<p>We cannot make a final assessment at the current point in time. However, see Q17 – generally the definition seems workable.</p>	Noted.

	Arbeitsgemeinschaft für betriebliche Altersve		<p>The answer to Q17 was:</p> <p>We think that it might be generally possible to work with the given definition; however, there might be problems with the boundaries of the definition in individual cases. The delivery of occupational pensions is too diverse for a conclusive assessment.</p>	
835.	ACA	Q21	<p>Yes. However, please note that some IORPs will have both types of benefits and so would need to apply parts a) and b) to different obligations within the same IORP.</p>	Noted.
836.	Actuarial Association of Europe	Q21	<p>Although we understand the principle being reached for, we are uncertain because of the definition's complexity and undefined language. We would recommend that the phrases «unilateral right or obligation to terminate the agreement or to amend contributions/obligations to fully reflect the risk» be included in the definition. Does the mere possibility to do so in future allow the IORP to exclude all future contributions/obligations? If the « full reflection of risk » is valued under a different regime to the one governing TPs, does this fulfil the condition?</p>	Noted.
837.	AEIP	Q21	<p>AEIP does not believe that the HBS might serve as an adequate tool for prudential supervision.</p> <p>It should neither be used for capital requirements nor as an information tool towards scheme members. If any concrete use for the HBS should be sought, the HBS could possibly have a limited value as a risk management tool. However, it is still too complex for small and medium sized IORPs, and there are less complex (and more efficient) methods that might be used.</p> <p>AEIP answered all questions of the consultation despite of these</p>	Noted.

			<p>doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>Yes, it is possible (and happens regularly) that the agreement is not terminated, but no more new benefits are accrued.</p>	
838.	Aon Hewitt	Q21	We refer to the general principles in our response to Q1.	Noted.
839.	Association of Pension Lawyers	Q21	We do not believe that this distinction between para 4.46(a) and para 4.46(b) would be of assistance in the case of scheme sponsored IORPS.	Noted.
840.	BAPI	Q21	<p>Q21: Are the cases described in parts a) and b) of the definition clearly distinguishable in practice?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p>	Noted.

			Yes.	
841.	BASF SE	Q21	See Q17.	Noted.
842.	Better Finance	Q21	Yes.	Noted.
843.	Compass Group PLC	Q21	Q21: Are the cases described in parts a) and b) of the definition clearly distinguishable in practice?	
844.	D & L Scott	Q21	EIOPA is still trying to work with “contract boundaries”, a concept which I have rejected altogether earlier in this consultation response.	Noted.
845.	Eversheds LLP	Q21	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>It is not clear to us exactly what 2a and 2b relate to or the circumstances in which they would apply (e.g. does 2a only relate to future obligations or does it relate to the termination of past and future obligations?). This needs to be clarified if the holistic balance sheet is developed further.</p>	Noted.
846.	FSUG	Q21	Yes.	Noted.
847.	FVPK	Q21	<p>Are the cases described in parts a) and b) of the definition clearly distinguishable in practice?</p> <p>FVPK does not support the Holistic Balance Sheet project from</p>	Noted.

			<p>Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>FVPK assumes that there might be situations, where the cases are not clearly distinguishable.</p>	
848.	GDV	Q21	Are the cases described in parts a) and b) of the definition clearly distinguishable in practice?	
850.	Heathrow Airport Limited	Q21	Q21: Are the cases described in parts a) and b) of the definition clearly distinguishable in practice?	
851.	Hoechst-Gruppe VVaG	Q21	<p>We cannot make a final assessment at the current point in time. However, see Q17 – generally the definition seems workable.</p> <p>The answer to Q17 was:</p> <p>We think that it might be generally possible to work with the given definition; however, there might be problems with the boundaries of the definition in individual cases. The delivery of occupational pensions is too diverse for a conclusive assessment.</p>	Noted.
852.	IFoA	Q21	Not in all cases and the resulting ambiguity demonstrates the value of a principles based approach over detailed definitions.	Noted.
853.	IVS	Q21	Based on our experience, a) and b) are sufficiently distinct for each	Noted.

			IORP to be able to be classified in the one or the other category.	
854.	Jane Marshall Consulting	Q21	The approach suggested here will be costly and onerous for UK schemes with no benefit in risk reduction terms that is not already catered for in domestic law and regulation.	Noted.
855.	NAPF	Q21	<p>Q21: Are the cases described in parts a) and b) of the definition clearly distinguishable in practice?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>Yes.</p>	Noted.
858.	Pensioenfederatie	Q21	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p>	Noted.

			Yes, it is possible (and it happens regularly) that the agreement is not terminated, but no additional new benefits are accrued.	
859.	PensionsEurope	Q21	<p>Are the cases described in parts a) and b) of the definition clearly distinguishable in practice?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We cannot make a final assessment at the current point in time. However generally the definition seems workable.</p>	Noted.
862.	RPTCL	Q21	We believe there will be some IORPs where some obligations are dependent on payment of contributions and others which are established independently. In the case of our IORPs, most obligations are established independently of contributions but there are some obligations (such as benefits that are augmented at the sponsor's request) which are arguably dependent on payment of contributions.	Noted.
863.	Society of Pension Professionals	Q21	<p>Are the cases described in parts a) and b) of the definition clearly distinguishable in practice?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP</p>	Noted.

			<p>does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>Yes. However, please note that some IORPs will have both types of benefits and so would need to apply parts a) and b) to different obligations within the same IORP.</p>	
864.	Towers Watson	Q21	<p>Are the cases described in parts a) and b) of the definition clearly distinguishable in practice?</p> <p>As parts a and b include undefined expressions e.g. "unilateral right or obligation to terminate/amend ..." and "fully reflect the risk", there is a risk that these are not clearly distinguishable.</p>	Noted.
865.	United Utilities Group	Q21	Q21: Are the cases described in parts a) and b) of the definition clearly distinguishable in practice?	
866.	ZVK-Bau	Q21	For IORPs which are financed using collective equivalence and have solidarity aspects the distinction within the definition is blurred.	Noted.
867.	OPSG	Q22	The OPSG believes the conditions are sufficient and suggests they are	Partially agreed.

			captured in 2d. by specifying that where the sponsor (or other party) has the unilateral right to cease payment or accrual of benefits, then future accrual and contributions need not be recognised	Reference to unilateral rights of the sponsor is included in the definition of boundaries of contributions and obligations used in the quantitative assessment.
868.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q22	No, the concept is not clear enough. Further conditions will not help. However, if there are unilateral rights of the sponsor which have implications for the risk carried by the IORP, it should be possible to consider these rights adequately.	Partially agreed. Reference to unilateral rights of the sponsor is included in the definition of boundaries of contributions and obligations used in the quantitative assessment.
869.	ACA	Q22	Sponsor may be able to terminate accrual, subject to a final contribution payment which may or may not secure member benefits in full. How would this be treated ? Consideration of rights exercised jointly by the IORP (in the UK context by the plan trustees) and the sponsor ?	Noted.
870.	Actuarial Association of Europe	Q22	No ; the concept itself should be clarified/explained.	Noted.
871.	AEIP	Q22	The question is not clear, as the wording "contract boundaries" has	Noted.

			<p>not been clearly defined in the text of the consultation. Moreover, any proposed definition should fully recognize the triangular relationship among the employee, the employer and the institution.</p> <p>For capital requirement purposes, the scope of the agreement should be limited to unconditional benefits accrued to date only. For risk management purposes, other cash flows can be included.</p>	
872.	Aon Hewitt	Q22	We refer to the general principles in our response to Q1.	Noted.
873.	Association of Pension Lawyers	Q22	The level of contributions is not in our view a predictive element in respect of sponsored IORPS and accordingly we believe that the termination of such contributions is not a relevant factor.	Noted.
874.	BAPI	Q22	<p>Q22: Are the conditions mentioned above for making unilateral rights of the sponsor part of the definition of contract boundaries sufficient, or should further conditions be included? How could those rights and conditions be merged into the proposed definition of contract boundaries?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on</p>	Noted.

			<p>solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>We would prefer the definition better reflects the triangular relationship and clarifies that ending the provision of benefit payments by the IORP can either be due to a unilateral decision of the IORP to stop the "management agreement" (see Q1) between the IORP and the sponsor or by amending/stopping the "benefit promise" (see Q1) according to a procedure as stipulated by national social and labour law – so either the sponsor unilaterally or a decision of social partners and/or members and beneficiaries.</p> <p>We are not convinced it is important to know who has the right or the unilateral right to change the contract/agreement/pension promise (the IORP, the sponsor, the social partners, ...), the question is can the contract/agreement/pension promise be ended or amended. If so, whatever the procedure is to do so, future benefit accruals/contributions do not need to be considered for the technical provisions.</p>	
875.	Barnett Waddingham LLP	Q22	We believe that any necessary conditions should be set by national regulators who will have an understanding of the appropriate background.	Noted.
876.	BASF SE	Q22	See Q17-Q21.	Noted.
877.	Better Finance	Q22	Yes, they are sufficiently defined.	Noted.
878.	Compass Group PLC	Q22	Q22: Are the conditions mentioned above for making unilateral rights of the sponsor part of the definition of contract boundaries sufficient,	

			or should further conditions be included? How could those rights and conditions be merged into the proposed definition of contract boundaries?	
879.	D & L Scott	Q22	Ditto	Noted.
880.	Eversheds LLP	Q22	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>In principle, we think that these are appropriate. However, following the recent High Court decision in the UK in <i>IBM UK v Dalglish & others</i>, in practice in the UK, even where sponsors clearly have a unilateral right to cease the future accrual of benefits under their scheme, it may be difficult to know when that right can be exercised. This, combined with the fact that very few IORPs in the UK will ever meet the conditions in paragraphs 2 a, b or c in the definitions of contract boundaries, means that these exceptions may be of no use to IORPs in the UK. This would mean that UK IORPs would need to include all potential future liabilities in their holistic balance sheet, even though in practice the IORP could be closed at a future date. This would create significant difficulties for UK pension schemes.</p> <p>The problematic interaction between these proposals and UK case law illustrates the difficulty of trying to establish a single funding regime for the whole of Europe and, in our view, demonstrates the case for developing funding and regulatory regimes for IORPs at Member State level, where these Member State specific issues can be taken into account.</p>	Noted.

			In any event, including future liabilities in the holistic balance sheet, certainly in a UK context, would introduce added uncertainty which would make the holistic balance sheet less meaningful and we think that it should, therefore, focus on accrued liabilities only. If this approach is not appropriate for all Member States, we suggest that this is something that should be left for national regulators to determine.	
881.	FSUG	Q22	Yes, they are sufficiently defined.	Noted.
882.	GDV	Q22	<p>Are the conditions mentioned above for making unilateral rights of the sponsor part of the definition of contract boundaries sufficient, or should further conditions be included? How could those rights and conditions be merged into the proposed definition of contract boundaries ?</p> <p>For some schemes contradictions may arise between the contract boundaries as defined in the consultation paper and the unilateral rights of an IORP (see Q23 for instance). This is particularly the case when the IORP undertakes the commitment to implement occupational pension provision, however the exact level of contributions of the sponsor are not specified yet and can be adjusted according to the true risk.</p>	Noted.
884.	Heathrow Airport Limited	Q22	Q22: Are the conditions mentioned above for making unilateral rights of the sponsor part of the definition of contract boundaries sufficient, or should further conditions be included? How could those rights and conditions be merged into the proposed definition of contract boundaries?	

885.	Hoechst-Gruppe VVaG	Q22	No, the concept is not clear enough. Further conditions will not help. However, if there are unilateral rights of the sponsor which have implications for the risk carried by the IORP, it should be possible to consider these rights adequately.	Noted.
886.	IFoA	Q22	We remain concerned that the conditions, as specified, may not be sufficiently flexible to produce the correct outcome for the HBS in terms of the economic exposure of the IORP in all cases. This is due to the extensive range of wording variations that may be found in the deeds governing UK IORPs.	Noted.
887.	IVS	Q22	No ; the concept itself should be clarified/explained.	Noted.
888.	Jane Marshall Consulting	Q22	The approach suggested here will be costly and onerous for UK schemes with no benefit in risk reduction terms that is not already catered for in domestic law and regulation.	Noted.
889.	NAPF	Q22	<p>Q22: Are the conditions mentioned above for making unilateral rights of the sponsor part of the definition of contract boundaries sufficient, or should further conditions be included? How could those rights and conditions be merged into the proposed definition of contract boundaries?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>No answer</p>	Noted.

891.	Pensioenfederatie	Q22	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes.. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>We repeat that for capital requirement purposes, the scope of the agreement should be limited to unconditional benefits accrued to date only. For risk management purposes, other cash flows can be included.</p>	Noted.
892.	PensionsEurope	Q22	<p>Are the conditions mentioned above for making unilateral rights of the sponsor part of the definition of contract boundaries sufficient, or should further conditions be included? How could those rights and conditions be merged into the proposed definition of contract boundaries?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on</p>	<p>Partially agreed.</p> <p>Reference to unilateral rights of the sponsor is included in the definition of boundaries of contributions and obligations used in the quantitative assessment.</p>

			<p>workplace pension schemes.</p> <p>If there are unilateral rights of the sponsor which have implications for the risk carried by the IORP, it should be possible to consider these rights adequately. In the end, the key question is whether the contract/agreement/promise can be ended/amended or not.</p>	
895.	RPTCL	Q22	<p>It is difficult to split obligations merely into those which are covered by unilateral rights of the IORP and its sponsor. Many rights of IORPs are covered by joint powers.</p>	Noted.
896.	Society of Pension Professionals	Q22	<p>Are the conditions mentioned above for making unilateral rights of the sponsor part of the definition of contract boundaries sufficient, or should further conditions be included? How could those rights and conditions be merged into the proposed definition of contract boundaries?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions.</p>	Noted.

			<p>Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>Treatment of additional points should be considered :</p> <ul style="list-style-type: none"> - Sponsor may be able to terminate accrual, subject to a final contribution payment which may or may not secure member benefits in full. How would this be treated? - Powers / rights exercised jointly by the IORP (in the UK context by the plan trustees) and the sponsor – how would these be treated? 	
897.	Towers Watson	Q22	<p>Are the conditions mentioned above for making unilateral rights of the sponsor part of the definition of contract boundaries sufficient, or should further conditions be included? How could those rights and conditions be merged into the proposed definition of contract boundaries?</p> <p>The definition of contract boundaries (or any variation of this definition) should be expanded to include the rights of the sponsor as well as the IORP itself, as one or both may have the power to unilaterally or jointly terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk.</p>	<p>Partially agreed.</p> <p>Reference to unilateral rights of the sponsor is included in the definition of boundaries of contributions and obligations used in the quantitative assessment.</p>
898.	United Utilities Group	Q22	<p>Q22: Are the conditions mentioned above for making unilateral rights of the sponsor part of the definition of contract boundaries sufficient, or should further conditions be included? How could those rights and conditions be merged into the proposed definition of contract boundaries?</p>	
899.	ZVK-Bau	Q22	<p>Further conditions - especially rights of the sponsors to modify contributions and accrued benefits - should be included to reflect the reality of many funds thoroughly.</p>	<p>Partially agreed.</p> <p>Reference to</p>

				unilateral rights of the sponsor is included in the definition of boundaries of contributions and obligations used in the quantitative assessment.
900.	OPSG	Q23	<p>Yes.</p> <p>Example 8 is closest to the typical situation in UK and Ireland and it would be the sponsor acting unilaterally or acting with the IORP that would most likely terminate the contract</p>	Noted.
901.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q23	<p>Not really. Many terms are not clear enough. For example, the term «pension promise» as it is used in this Chapter seems to refer to the obligation the IORP has towards the employees based on an existing contractual relationship between the IORP and the employees. This is in general not the given situation (see Q1 etc.). Neglecting this, under this assumption we understand the examples. However, none of the examples really fits the German situation.</p> <p>We would like to stress explicitly that we do not take the term «pension promise», as used in this Chapter, to encompass all obligations which an employers has towards the employee within the occupational pension framework, which also includes obligations stemming from social and labour law, and which are not addressed through the IORP.</p>	Noted.

			<p>The answer to Q1 was:</p> <p>There is typically no direct “contract” between the IORP and the member, as is typically the case for an insurance contract. The legal relationship may be indirect though, for example, it may be an agreement between the sponsor and the IORP or the employer and the member. See also EIOPA’s own “Mapping Exercise” under section 5.3. We understand that the issue of defining contract boundaries under Solvency II has been fraught with difficulties and has still not been finalized after many years of deliberations. We believe that these difficulties and potential for misunderstandings should not be transferred to IORPs.</p> <p>Starting with the premise that IORPs are not insurers, in particular they are not financial institutions, we suggest deriving the definition as to what benefits and contributions are to be included in the valuation of the TPs from first principles that are appropriate for IORPs. We would therefore suggest use a term such as “Boundaries of obligations and contributions” rather than “contract boundaries”. We think it is important to use a different name not only because of the reasons given in the consultation itself but also because of the fundamentally different nature of, for example, employer-own IORPs and insurers.</p>	
902.	ACA	Q23	Yes. Though as noted in responses to previous questions, we would wish to see further adaptations made to the definition.	Noted.
903.	Actuarial Association of Europe	Q23	The examples are very helpful indeed but we believe that the definitions can be clarified. We had difficulties in understanding example 6. In particular, we don’t understand the logic underlying points a. – c.	Noted.
904.	AEIP	Q23	The wording “contract boundaries” has not been clearly defined in the	Noted.

			<p>text of the consultation.</p> <p>AEIP believes that it is not fully relevant to know who has the right or the unilateral right to change the contract/agreement/pension promise (the IORP, the sponsor, the social partners, ...). It should rather be important to focus on whether the contract/agreement/pension promise can be ended or amended. If that is the case, whatever the procedure is to do so, future benefit accruals/contributions should not be considered for the technical provisions.</p>	
905.	Aon Hewitt	Q23	<p>In our experience, Examples 1 to 7 are relatively unusual in the IORP sector.</p> <p>Example 8 is an example of a promise commonly found in the UK and Ireland (with the proviso that it is sometimes the employer, and not the IORP, that has the right to terminate the contract). The approach suggested for Example 8 is in line with approaches under the current IORP Directive (ie technical provisions are based on pension rights earned for service to the valuation date).</p>	Noted.
906.	Association of Pension Lawyers	Q23	<p>Whilst we believe that the examples provided at paras 4.50 to 4.57 broadly represent the provisions of that section, we do not believe that the distinction between para 4.46(a) and para 4.46(b) is an appropriate distinction in respect of sponsored IORPS.</p>	Noted.
907.	BAPI	Q23	<p>Q23: Do stakeholders agree that the proposed adapted definition of contract boundaries for IORPs (above) leads to the results described in this section? If not, please explain.</p> <p>BAPI states there is no need for the HBS to set funding and capital</p>	Noted.

			<p>requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>Yes. Example 8 is most close to a typical Belgian IORP although the IOPR has a unilateral right to end the "management agreement" (see Q1), it will not be the IOPR but the sponsor and/or social partners or members and beneficiaries to amend/terminate the benefit promise. Therefore for Belgian IORPs it is important the definition better reflects the triangular relationship (see Q17, Q19 and Q22). We believe it is important to know if the IORP can be released of the benefit payment: this can be either because the IORP is no longer the pension vehicle used for the benefit payments (end of the management agreement between the IORP/sponsor – can be ended by both parties) or by a change to the benefit promise as such – a procedure set by national social and labour legislation and driven by sponsor/social partners/members and beneficiaries. Not the unilateral nature of the decision is important, but the fact that a procedure exists to make this amendment/termination happen.</p> <p>We are not convinced it is important to know who has the right or the</p>	
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			unilateral right to change the contract/agreement/pension promise (the IORP, the sponsor, the social partners, ...), the question is can the contract/agreement/pension promise be ended or amended. If so, whatever the procedure is to do so, future benefit accruals/contributions do not need to be considered for the technical provisions.	
908.	BASF SE	Q23	No, some of the concepts are still unclear. There can be parts in the "pension promise" which are not addressed through the IORP.	Noted.
909.	Better Finance	Q23	Yes, Better Finance thinks, that examples cover most of the cases in reality.	Noted.
910.	Compass Group PLC	Q23	Q23: Do stakeholders agree that the proposed adapted definition of contract boundaries for IORPs (above) leads to the results described in this section? If not, please explain.	
911.	D & L Scott	Q23	Only Example 8 is similar to the United Kingdom IORPs of my experience. I am concerned that in trying to fit a definition (which comes from contract-based insurance, not trust-based occupational pensions) to all these different examples EIOPA is creating a model of regulation which will be both marginally costly and materially unhelpful to trustees and other fiduciaries in a carrying out their day-to-day and year-on-year responsibilities to sponsors, members and other beneficiaries.	Noted.
912.	Eversheds LLP	Q23		
913.	FFSA	Q23	Yes. Also examples provided may not be technically viable since, the promess may be linked to renewal of the population.	Noted.

914.	FSUG	Q23	Yes, FSUG thinks, that examples cover most of the cases in reality.	Noted.
915.	GDV	Q23	<p>Do stakeholders agree that the proposed adapted definition of contract boundaries for IORPs (above) leads to the results described in this section? If not, please explain.</p> <p>For some schemes contradictions may arise between the contract boundaries as defined in the consultation paper and the unilateral rights of IORPs.</p> <p>The cash-flows that should be recognised in the technical provisions in examples 2 and 5 could lead to results which are intransparent for members and beneficiaries. This is particularly the case when an IORP undertakes the commitment to implement occupational pension provision, however the exact level of contributions of the sponsor are not specified yet and can be adjusted to fully reflect the risk.</p> <p>As regards example 6, it is unclear which ex-ante benefit reduction mechanisms are taken considered in the example. This is dependent on the fact, whether members and beneficiaries lose their entitlements (e.g. if the employer remains liable for the payment of reduced benefits). If members and beneficiaries do not lose their entitlements, then these benefit reductions should not reduce the technical provisions.</p> <p>In any case the definition of contract boundaries should be consistent with the terminology used for insurance undertakings. Examples 1, 3, 5, 7 and 8 seem to be consistent.</p>	Noted.

917.	Heathrow Airport Limited	Q23	Q23: Do stakeholders agree that the proposed adapted definition of contract boundaries for IORPs (above) leads to the results described in this section? If not, please explain.	
918.	Hoechst-Gruppe VVaG	Q23	<p>Not really. Many terms are not clear enough. For example, the term «pension promise» as it is used in this Chapter seems to refer to the obligation the IORP has towards the employees based on an existing contractual relationship between the IORP and the employees. This is in general not the given situation (see Q1 etc.). Neglecting this, under this assumption we understand the examples. However, none of the examples really fits the German situation.</p> <p>We would like to stress explicitly that we do not take the term «pension promise», as used in this Chapter, to encompass all obligations which an employers has towards the employee within the occupational pension framework, which also includes obligations stemming from social and labour law, and which are not addressed through the IORP.</p> <p>The answer to Q1 was:</p> <p>There is typically no direct “contract” between the IORP and the member, as is typically the case for an insurance contract. The legal relationship may be indirect though, for example, it may be an agreement between the sponsor and the IORP or the employer and the member. See also EIOPA’s own “Mapping Exercise” under section 5.3. We understand that the issue of defining contract boundaries under Solvency II has been fraught with difficulties and has still not been finalized after many years of deliberations. We believe that these difficulties and potential for misunderstandings should not be</p>	Noted.

			<p>transferred to IORPs.</p> <p>Starting with the premise that IORPs are not insurers, in particular they are not financial institutions, we suggest deriving the definition as to what benefits and contributions are to be included in the valuation of the TPs from first principles that are appropriate for IORPs. We would therefore suggest use a term such as “Boundaries of obligations and contributions” rather than “contract boundaries”. We think it is important to use a different name not only because of the reasons given in the consultation itself but also because of the fundamentally different nature of, for example, employer-own IORPs and insurers.</p>	
919.	IFoA	Q23	<p>Yes, but we have a concern that the definition only works in these abstract examples. The only way in which this could be properly tested would be to ask individual IORPs to apply the definition to their own circumstances.</p>	Noted.
920.	IVS	Q23	<p>Not really. We believe that the definition can be clarified. The examples are very helpful indeed. We had difficulties in understanding example 6. In particular, we don’t understand the logic underlying points a. – c.</p>	Noted.
921.	Jane Marshall Consulting	Q23	<p>The approach suggested here will be costly and onerous for UK schemes with no benefit in risk reduction terms that is not already catered for in domestic law and regulation</p>	Noted.
922.	NAPF	Q23	<p>Q23: Do stakeholders agree that the proposed adapted definition of contract boundaries for IORPs (above) leads to the results described in this section? If not, please explain.</p>	Noted.

			<p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>The consultation paper does not make it clear what the adapted definition is. Without clarification, the NAPF is unable to answer this question.</p>	
924.	Pensioenfederatie	Q23	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>Yes. Example 7 shows daily practice in the Netherlands: only accrued nominal benefits for which the IORP receives a single contribution have to be recognized in the technical provisions. Also example 8 reflects this daily practice.</p>	Noted.

925.	PensionsEurope	Q23	<p>Do stakeholders agree that the proposed adapted definition of contract boundaries for IORPs (above) leads to the results described in this section? If not, please explain.</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>Unclear terms should not be used. We understand the term « pension promise » as it is used in this Chapter to refer to the obligation the IORP has towards the members based on the existing contractual relationship between the IORP and the employees. Under this assumption we understand the examples.</p> <p>We would like to stress explicitly that we do not take the term « pension promise », as used in this Chapter, to encompass all obligations which the employer has towards the employee within the occupational pension framework, which also includes obligations stemming from social and labour law, and which are not addressed through the IORP.</p> <p>Example 8 is the closest to the typical situation in the UK and Ireland but it would be the sponsor acting unilaterally (or together with the</p>	Noted.
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			<p>IORP) that would most likely terminate the promise. Example 7 (and 8) shows daily practice in the Netherlands: only accrued nominal benefits for which the IORP receives a single contribution have to be recognised in the technical provisions.</p> <p>Example 8 is the closest to the Belgian situation although the IORP has a unilateral right to end the “management agreement” of the promise, it will not be the IORP but the sponsor and/or social partners or members and beneficiaries to amend/terminate the benefit promise.</p>	
928.	RPTCL	Q23	<p>The results appear to be consistent with the descriptions provided elsewhere. However, none of the examples are particularly close representations of the obligations provided by our IORP, so we have not studied the examples in great detail. Example 8 seems to be the closest except that the IORP does not have a unilateral right to terminate the contract. We consider that only past service benefits already accrued should be recognised within technical provisions.</p>	Noted.
929.	Society of Pension Professionals	Q23	<p>Do stakeholders agree that the proposed adapted definition of contract boundaries for IORPs (above) leads to the results described in this section? If not, please explain.</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p>	Noted.

			<p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>Yes. Though as noted in responses to previous questions, we would wish to see further adaptations made to the definition.</p>	
931.	Towers Watson	Q23	<p>Do stakeholders agree that the proposed adapted definition of contract boundaries for IORPs (above) leads to the results described in this section? If not, please explain.</p> <p>The examples are very helpful, but we would wish to see changes to the definition, as noted in answers to previous questions.</p>	Noted.
932.	United Utilities Group	Q23	Q23: Do stakeholders agree that the proposed adapted definition of contract boundaries for IORPs (above) leads to the results described in this section? If not, please explain.	
933.	ZVK-Bau	Q23	Might be. Unfortunately the examples given do not comprehend the existing forms of pension schemes and especially not the kind of scheme we administer.	Noted.
934.	OPSG	Q24	<p>The definitions are a bit confused and should be set out in much clearer language. The OPSG suggests a simpler message e.g.:</p> <p>1. IORPs can provide for discretionary benefits. The conditions for</p>	<p>Thank you for your comment.</p> <p>Some comments question the need to distinguish</p>

			<p>awarding these may be:</p> <p>a. Funding permits i.e. there are sufficient reserves to award say a pension increase where the rules specifically allow for this</p> <p>b. Rules provide that in a certain event the fiduciary exercises discretion on how or to whom benefits are paid – for example on the death of a member.</p> <p>c. Discretion that is allowed but requires an augmentation of benefits (which may require financing). In these circumstances the fiduciary pays a defined benefit at its discretion.</p> <p>d. Precedent / custom and practice. As these are not provided by the rules the awarding of these benefits should always include an augmentation payment to finance these additional benefits.</p> <p>e. Surplus sharing should be possible but only if the rules permit. It should not be used through collective bargaining arrangements outside of the IORP.</p> <p>2. Where overall funding of the IORP is in deficit, no discretionary benefits may be awarded.</p> <p>Discretionary decision making process should only be a consideration where the IORP is in surplus. Where used to bring the IORP into surplus (by reducing benefits) then this should require local regulatory approval.</p>	<p>between pure discretionary, mixed and pure conditional benefits. Others suggest that mixed benefits may need to be further subdivided.</p> <p>Some comments suggest the use of national definitions or definitions that are closer to those used in accounting or other changes.</p> <p>Taking into account the diverse range of responses, EIOPA will maintain the current set of definitions for the purpose of the quantitative assessment. Benefits need to be assigned to the categories on the basis of these definitions. EIOPA is aware that the classification of benefits may not</p>
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				always be crystal clear.
935.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q24	<p>We do not understand the need to distinguish between «discretionary» and «mixed». Why does the existence of an explicit or implicit policy matter? From a risk perspective a restriction to pure discretionary benefits seems sufficient, because employees will expect only non-discretionary benefits. Other discretionary benefits seem too uncertain. Modelling and calculating them would bring large uncertainties, which would worsen the transparency and comprehensibility of the results.</p> <p>The restriction to only “one party” does not meet the reality of German IORPs given the involvement of always more than one party, for example by means of co-determination.</p>	<p>Noted, please refer to 934.</p> <p>If other parties are involved in the decision making process, benefits can be either pure discretionary or mixed.</p>
936.	ACA	Q24	Seem reasonable. Note that mixed benefits described a wide spectrum from almost pure discretionary benefits through to almost pure conditional benefits. Depending on the treatment of mixed benefits as part of the technical provisions, this category may need to be further subdivided.	Noted, please refer to 934.
937.	Actuarial Association of Europe	Q24	We think 4.66 to 4.72 of the consultation paper sets out quite well the issues here. We are aware that there has been much discussion within EIOPA and between supervisors about discretionary/mixed/conditional benefits. We are of the view that “mixed benefits” should be split into “pure discretionary” or “conditional” as suggested in 4.71 as this would reduce the complexity. To our mind, “conditional” benefits are part of the promise (and in this we include “custom and practice” and “constructive obligations”) and should be valued (and probably can be,	Not agreed, please refer to 934.

			<p>albeit this may be complex where it depends on future funding levels); allowance can be made for their conditionality in the valuation or in the SCR if we have one i.e. they require less protection than unconditional benefits. Anything which is “pure discretionary” should be ignored completely and in pillar2 as well.</p> <p>As an additional remark we would point at the importance of properly identifying the interactions of benefits classifications with other topics: contract boundaries/benefits reduction/risk margin/coverage/supervisory response? It also depends on the use of the HBS (pillar 1 incl. SCR, pillar 1 excl. SCR, pillar 2) and the related consequences.</p>	
938.	AEIP	Q24	<p>AEIP does not believe that the HBS might serve as an adequate tool for prudential supervision.</p> <p>It should neither be used for capital requirements nor as an information tool towards scheme members. If any concrete use for the HBS should be sought, the HBS could possibly have a limited value as a risk management tool. However, it is still too complex for small and medium sized IORPs, and there are less complex (and more efficient) methods that might be used.</p> <p>AEIP answered all questions of the consultation despite of these doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>Yes. AEIP believes that these definitions are workable. However, in practice it may still be difficult to categorize existing practices as they may contain elements of more than one class of the identified decision-making mechanisms.</p>	Not agreed, please refer to 934.

939.	Aon Hewitt	Q24	<p>We think these terms will still lead to confusion, especially where they are not currently used in current member states. For example, in the UK and Ireland, the use of the term “discretionary benefits” is common.</p> <p>We also think EIOPA should consider terms used by the IASB in IAS19. We are surprised that EIOPA has not paid any attention to methods used by IORP sponsors when producing sponsor accounts – in particular the IASB methods are widely used by actuaries, sponsors and IORP boards when calculating obligations for different purposes (including risk management purposes).</p> <p>IAS19 has the concept of “constructive obligations” as well as “legal obligations”. An entity shall account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity’s informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity’s informal practices would cause unacceptable damage to its relationship with employees.</p> <p>We suggest EIOPA also considers consistency with these accounting definitions as these will be helpful for employers who sponsor IORPS (and so are used to these definitions already).</p>	Noted, please refer to 934.
940.	Association of Pension Lawyers	Q24	<p>1. In general, we are unclear as to what definitions EIOPA are asking us to consider. We recognise the broad principle identified, that there are three categories of decision making processes:</p>	Noted, please refer to 934.

			<p>a) pure discretionary benefits,</p> <p>b) pure conditional benefits,</p> <p>c) benefits which display some of the characteristics of both (mixed benefits).</p> <p>2. We agree that pure conditional benefits do not have a discretionary element, whilst any benefit which has a discretionary element will require some element of art rather than science in assessing future value if they are to be accounted for under the HBS.</p> <p>3. However we do not believe that the existing descriptions are sufficiently clear for us to provide useful feedback. As an example we are not sure if a death in service lump sum is intended to fall within these definitions. This is usually a pure discretionary benefit within the potential beneficiary class payable on the death of a member and can either be insured, or be paid from the funds of the IORP with the employer making an appropriate contribution to cover the cost.</p> <p>4. The definitions set out here could cause it to be classified as a mixed benefit as there are conditions attached to the payment (for example, a member must have died, and the benefits can only be paid to a specified class of beneficiary) and we do not think if this is appropriate.</p> <p>5. We believe that the definitions that the paper suggests need some more work to see where various benefits would fall, and how this would affect the HBS. We will address the question of valuation in the next section.</p> <p>6. Once this has been done the definitions will need to be finessed for the reality of IORP provisions in the member states, and preferably clearer definitions put in place.</p>	
941.	BAPI	Q24	Q24: Do stakeholders consider the above definitions workable? If not,	Agreed (w.r.t.

			<p>please explain why not and how you would suggest to improve the definition(s).</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>Yes, although in practice the distinction is not always crystal clear (implicit/explicit policy, mixed/pure discretionary, mixed/conditional, ...)</p>	definitions), please refer to 934.
942.	Barnett Waddingham LLP	Q24	We believe that any necessary definitions should be set by national regulators who will have an understanding of the appropriate terminology.	Noted, please refer to 934.
943.	BASF SE	Q24	From our perspective a distinction between non-discretionary benefits and other benefits (discretionary and mixed as one category) would be sufficient, since employees will expect only non-discretionary benefits. The definition should in addition consider the extent to which the employer, the social partners, works councils or member	Not agreed, as such possibilities of changing or terminating the pension promise are

			representatives may agree changes of the pension promise and under which conditions the pension promise may be terminated in the respective member states.	taken into account in the definition of benefits and contributions to be included in cash-flows for technical provisions. Please refer to 934.
944.	Compass Group PLC	Q24	Q24: Do stakeholders consider the above definitions workable? If not, please explain why not and how you would suggest to improve the definition(s).	
945.	D & L Scott	Q24	EIOPA's analysis should allow for elements of discretion where there are multiple parties involved in exercising that discretion. For example, an IORP's rules may refer to the ability of the IORP's trustees to provide for additional benefits but only with the consent or agreement of the sponsor. Where such complexity exists, no account should be taken of the discretion unless and until the discretionary element has been removed and funding of the benefits becomes « contractual » (either additionally funded or through existing pooled funding) with the sponsor.	Noted, please refer to 934. If other parties are involved in the decision making process, benefits can be either pure discretionary or mixed.
946.	EAPSPI	Q24	EAPSPI is of the opinion that there is no need to make a distinction between "discretionary" and "mixed" benefits. As suggested in Q 13 we think that only unconditional benefits should be recognized when calculating technical provisions. Thus pure discretionary benefits should definitely not be included. And also other discretionary and conditional benefits seem too uncertain or too complex to model and calculate. Uncertainties of the calculations are the consequence, which worsen the transparency and comprehensibility of the results.	Not agreed, please refer to 934.

947.	Eversheds LLP	Q24	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We think that the reference to implicit policies in mixed benefits is problematic because it introduces a great deal of uncertainty as, in practice, in most cases it will be very difficult to know for certain whether an implicit policy exists or not (i.e. when do historical decisions and communications become an implicit policy?).</p> <p>In light of this we think that it should be left to individual IORPs to decide whether mixed benefits should be included in the holistic balance sheet or not. Guidance could be developed by national regulators to guide this decision.</p>	Noted, please refer to 934.
948.	GDV	Q24	<p>Do stakeholders consider the above definitions workable? If not, please explain why not and how you would suggest to improve the definition(s).</p> <p>When defining these quantities it is important that the specificities of different types of IORPs are taken into account appropriately.</p>	Noted, please refer to 934.
950.	Heathrow Airport Limited	Q24	Q24: Do stakeholders consider the above definitions workable? If not, please explain why not and how you would suggest to improve the definition(s).	

951.	Hoechst-Gruppe VVaG	Q24	<p>We do not understand the need to distinguish between «discretionary» and «mixed». Why does the existence of an explicit or implicit policy matter? From a risk perspective a restriction to pure discretionary benefits seems sufficient, because employees will expect only non-discretionary benefits. Other discretionary benefits seem too uncertain. Modelling and calculating them would bring large uncertainties, which would worsen the transparency and comprehensibility of the results.</p> <p>The restriction to only “one party” does not meet the reality of German IORPs given the involvement of always more than one party, for example by means of co-determination.</p>	Noted, please refer to 934.
952.	IFoA	Q24	<p>No. As we state above, the legal framework for IORPs varies significantly between MS and application of the definitions is likely to be a complex process, involving a substantial amount of legal input. The legal framework for IORPs varies significantly between MS, so it will be difficult to find definitions that work across the EU, and even where such definitions are possible they will necessarily be so complex that substantial legal input will be required to implement them and this will have profound implications for the cost-effectiveness of the proposals and will risk stifling innovation.</p> <p>This variation in legal frameworks– largely a consequence of labour and social law – leads us to believe that solvency requirements in particular should be delegated to MS as far as possible.</p>	Noted, please refer to 934.
953.	IVS	Q24	We believe that the proposed definitions for conditional, mixed and	Noted, please refer

			discretionary benefits do not allow a unique and therefore practical classification of benefits.	to 934.
954.	Jane Marshall Consulting	Q24	No.	
955.	NAPF	Q24	<p>Q24: Do stakeholders consider the above definitions workable? If not, please explain why not and how you would suggest to improve the definition(s).</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>No answer</p>	
958.	Pensioenfederatie	Q24	<p>As argued in the general remarks, the use of the HBS for capital requirements is conceptually wrong for several fundamental reasons. Firstly, requiring capital for conditional benefits will make them unconditional in practice as extra capital increases their value. This is a clear disincentive to take risk or to offer conditional benefits, especially for relatively rich funds. Secondly, an SCR has no place on the HBS as all benefits and financing methods are included in the HBS. Consequently, for a complete contract the HBS automatically balances, and a SCR would always imply a deficit on the EIOPA Balance Sheet (EBS = HBS+net SCR). Thirdly, as all recovery mechanisms have to be included in order to be able to calculate the HBS, any supervisory</p>	Agreed (w.r.t. definitions), please refer to 934.

			<p>response cannot improve the HBS; there is no further recovery possible as the recovery plan is already included in the HBS. Apart from these fundamental problems the HBS is far too complex and subjective to be able to develop into a cost efficient and informative supervisory tool.</p> <p>As argued in the general remarks, the HBS might potentially add value as an instrument for risk management, but other and less costly methods (real world as opposed to risk-neutral simulations) would better achieve this goal. Simplifying methods to calculate the HBS or omitting certain elements on the HBS result in combinations of market-consistent and simplified prices. This however prevents achieving the HBS's objective.</p> <p>As argued in the general remarks, the HBS is not suited as an instrument for transparency in the relationship with participants as the current estimated market price of an option is not informative for them. The option cannot be traded, its price is highly volatile, and its value gives no clear information on the likelihood or size of, for instance, indexation, as option values are determined in the risk-neutral world whereas participants are only interested in the real world as they live in this world.</p> <p>Yes. Although clear definitions are somewhat difficult to recognize, we do think that the concepts contained in the introduction are workable. However, in practice, it may still be difficult to categorize existing practices, as they may contain elements of more than one class of the identified decision-making mechanisms.</p>	
959.	PensionsEurope	Q24	<p>Do stakeholders consider the above definitions workable? If not, please explain why not and how you would suggest to improve the definition(s).</p> <p>PensionsEurope does not support the Holistic Balance Sheet project:</p>	Noted, please refer to 934.

			<p>We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>Yes. Although clear definitions are somewhat difficult to recognise, we do think that the concepts contained in the introduction are workable. However, in practice it may still be difficult to categorise existing practices as they may contain elements of more than one class of the identified decision-making mechanisms.</p> <p>Furthermore, we do not see the need to distinguish between « discretionary » and « mixed ». Why does the existence of an explicit or implicit policy matter ? From a risk perspective a restriction to pure discretionary benefits seems sufficient, because employees will expect those benefits. Other discretionary benefits seem too uncertain. Modelling and calculating them would bring large uncertainties, which would worsen the transparency and comprehensibility of the results.</p>	
962.	RPTCL	Q24	<p>We consider that allowance should be made for elements of discretion where there are multiple parties involved in exercising that discretion. For example, an IORP's rules may refer to the ability of the IORP's trustees to provide for additional benefits but only with the consent or agreement of the sponsor. Where such complexity exists, no account should be taken of the discretion unless and until the discretionary element has been removed and the benefits become contractual.</p>	<p>Noted, please refer to 934.</p> <p>If other parties are involved in the decision making process, benefits can be either pure</p>

				discretionary or mixed.
963.	Society of Pension Professionals	Q24	<p>Discretionary decision-making processes</p> <p>Do stakeholders consider the above definitions workable? If not, please explain why not and how you would suggest to improve the definition(s).</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>Seem reasonable. However, we note that « mixed benefits » describe a wide spectrum from almost pure discretionary benefits through to almost pure conditional benefits. Depending on the treatment of mixed benefits as part of the technical provisions, this category may need to be further subdivided.</p>	Noted, please refer to 934.

964.	Towers Watson	Q24	<p>Discretionary decision-making processes</p> <p>Do stakeholders consider the above definitions workable? If not, please explain why not and how you would suggest to improve the definition(s).</p> <p>We note that “mixed benefits”» describes a wide spectrum from almost pure discretionary benefits through to almost pure conditional benefits. Depending on the treatment of mixed benefits as part of the technical provisions, this category may need to be further subdivided.</p>	Noted, please refer to 934.
965.	United Utilities Group	Q24	Q24: Do stakeholders consider the above definitions workable? If not, please explain why not and how you would suggest to improve the definition(s).	
966.	ZVK-Bau	Q24	The definitions might be workable but seem unnecessary. We think that regarding benefits technical provisions of the IORP should only be calculated based on unconditional benefits and not subject to any discretionary decision-making processes at all. This might be different for discretionary decision regarding other HBS items like liabilities or sponsor support etc.	Noted, please refer to 934.
967.	OPSG	Q25	<p>Our general comments are:</p> <ol style="list-style-type: none"> 1. The IORP rules should specify the nature of the benefits. 2. Where the benefit is known but the recipient is not (in the event of death distributions) then technical provisions should be established in respect of the expected cashflows. 3. Where the benefit is conditional on funding then the IORP will need to have an agreed policy. If that policy is that, say, pensions will increase by inflation then technical provisions should be established in respect of the expected cashflows and benefits only provided if the funding position permits. 4. Once benefits have been awarded then they have to be 	<p>Thank you for your comment.</p> <p>Comments indicate that generally the funding status of the IORP is an important determinant in the granting of discretionary benefits, but not the sole</p>

			<p>reserved for as they cannot be assumed to be discretionary in the future.</p> <p>Care needs to be taken to ensure that where benefits are conditional on funding e.g. in Netherlands, the process does not become circular by requiring additional funding which in turn may require additional conditional benefits to be provided</p>	<p>determinant. Also, comments point at challenges when modelling discretionary processes.</p> <p>The technical specifications reflect that, given their discretionary nature, EIOPA does not prescribe the methodology for the inclusion of discretionary elements in the quantitative assessment. IORPs are allowed to use simplifications in the valuation where appropriate, in consultation with their national supervisor.</p>
968.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q25	<p>No, see Q24.</p> <p>The answer to Q24 was:</p> <p>We do not understand the need to distinguish between «discretionary» and «mixed». Why does the existence of an explicit or implicit policy</p>	<p>Noted, please refer to 968.</p>

			<p>matter? From a risk perspective a restriction to pure discretionary benefits seems sufficient, because employees will expect only non-discretionary benefits. Other discretionary benefits seem too uncertain. Modelling and calculating them would bring large uncertainties, which would worsen the transparency and comprehensibility of the results.</p> <p>The restriction to only “one party” does not meet the reality of German IORPs given the involvement of always more than one party, for example by means of co-determination.</p>	
969.	ACA	Q25	<p>For individual IORPs sufficient historical data may not be readily available to determine a meaningful pattern. Additionally, decisions taken in previous years may not be an appropriate guide to future decision-making in relation to discretionary benefits.</p> <p>Consider aligning approach with IFRS (constructive obligation) or whether the benefits are being funded for under the locally applicable funding standards</p>	Noted, please refer to 968.
970.	Actuarial Association of Europe	Q25	<p>We expect a risk of circularity between all those elements and several scenarios should be tested also given the local legislation applicable (e.g. possibility to adapt benefits, legal enforceability of sponsor support). Some specific rules and priorities in the events occurring should be if possible defined in agreement with the social partners</p>	Noted, please refer to 968.
971.	AEIP	Q25	No.	
972.	Aon Hewitt	Q25	<p>With the potential exception of the Netherlands, some of the Nordic IORPS and maybe some other member states, we think attempts to potentially quantify the relation between discretionary elements and</p>	Noted, please refer to 968.

			the funding position could be overly complex and of limited value to IORPS.	
973.	Association of Pension Lawyers	Q25	<p>1. We do not agree that the funding status of the IORP is necessarily a strong determinative factor for all discretionary benefits. In our experience a number of 'discretionary' benefits are payable whatever the funding of the IORP at the time.</p> <p>2. We believe that EIOPA may be attempting to address a more limited set of discretionary benefits under this section than it might appear at first glance. If so, this needs to be clarified by EIOPA.</p>	Noted, please refer to 968.
974.	BAPI	Q25	<p>Q25: Do stakeholders have any general comments on the above section?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>We have no comment.</p>	
975.	Better Finance	Q25	Better Finance thinks that there should be limited room for	Noted, please refer

			discretionary decision-making and benefits, as additional issues may arise. All possible aspects of decision-making as well as benefits awards should be precisely defined under the “agreement” or “pension plan”. This might limit the balance sheet “volatility” tied to the general macroeconomic situation, as the IORP will be forced to focus on balanced long-term decision-making and not on “saving and spending” short termism.	to 968.
976.	Compass Group PLC	Q25	Q25: Do stakeholders have any general comments on the above section?	
977.	D & L Scott	Q25	I agree the level of discretionary obligations provided in practice by an IORP can be influenced by its funding position. I see little merit, however, in including conditional or discretionary elements within technical provisions unless and until the discretionary element is replaced by certainty and the benefits become contractual. In practice, United Kingdom actuaries allow for the probability of unfunded discretions being exercised within technical provisions, even if typically the probability is treated as zero.	Noted, please refer to 968.
978.	Eversheds LLP	Q25		
979.	FSUG	Q25	FSUG thinks that there should be limited room for discretionary decision-making and benefits, as additional issues may arise. All possible aspects of decision-making as well as benefits awards should be precisely defined under the “agreement” or “pension plan”. This might limit the balance sheet “volatility” tied to the general macroeconomic situation, as the IORP will be forced to focus on balanced long-term decision-making and not on “saving and spending” short termism.	Noted, please refer to 968.
980.	GDV	Q25	Do stakeholders have any general comments on the above section?	Noted, please refer

			The GDV believes that it is impossible in practice for IORPs, particularly those with many employers, to assess the discretionary decisions of the sponsors. Therefore, these should not be included in the HBS.	to 968.
982.	Heathrow Airport Limited	Q25	Q25: Do stakeholders have any general comments on the above section?	
983.	Hoechst-Gruppe VVaG	Q25	<p>No, see Q24.</p> <p>The answer to Q24 was:</p> <p>We do not understand the need to distinguish between «discretionary» and «mixed». Why does the existence of an explicit or implicit policy matter? From a risk perspective a restriction to pure discretionary benefits seems sufficient, because employees will expect only non-discretionary benefits. Other discretionary benefits seem too uncertain. Modelling and calculating them would bring large uncertainties, which would worsen the transparency and comprehensibility of the results.</p> <p>The restriction to only “one party” does not meet the reality of German IORPs given the involvement of always more than one party, for example by means of co-determination.</p>	Noted, please refer to 968.
984.	IFoA	Q25	In the IFoA’s view, it is not clear that EIOPA’s conclusion follows from the analysis referred to in paragraph 4.60.	Noted, please refer to 968.

985.	IVS	Q25	No.	
986.	Jane Marshall Consulting	Q25	As with many other issues such as the termination of accrual or contributions, or of benefit changes, discretionary benefits are complex matters of interpretation of particular scheme rules and other matters. There has in the UK been litigation on the meaning of such rules in particular schemes, which indicates the difficulty of compliance for some schemes unless they incur material legal costs and risk potential disputes. It is difficult to see that there would be any possible benefit in a new regulatory system that gave rise to such issues when robust risk based regulation already applies.	Noted, please refer to 968.
987.	NAPF	Q25	<p>Q25: Do stakeholders have any general comments on the above section?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>No answer</p>	
990.	Pensioenfederatie	Q25	We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency. The HBS could possibly have a limited value as a risk management	Noted, please refer to 968.

			<p>tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>No, we agree with the general ideas put forward in this section.</p>	
991.	PensionsEurope	Q25	<p>Do stakeholders have any general comments on the above section?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>No.</p>	
994.	RPTCL	Q25	<p>We agree with the overall view that the level of obligations provided by an IORP can be influenced by its funding position. However we see no merit in including conditional or discretionary elements within technical provisions unless and until the discretionary element is replaced by certainty and the benefits become contractual.</p>	Noted, please refer to 968.
995.	Society of Pension Professionals	Q25	<p>Do stakeholders have any general comments on the above section?</p>	Noted, please refer to 968.

			<p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>For individual IORPs sufficient historical data may not be readily available to determine a meaningful pattern. Additionally, decisions taken in previous years may not be an appropriate guide to future decision-making in relation to discretionary benefits.</p> <p>Consider aligning approach with IFRS (constructive obligation) or whether the benefits are being funded for under the locally applicable funding standards.</p>	
997.	Towers Watson	Q25	<p>Do stakeholders have any general comments on the above section?</p> <p>For individual IORPs sufficient historical data may not be readily available to determine a meaningful pattern. Additionally, decisions taken in previous years may not be an appropriate guide to future</p>	Noted, please refer to 968.

			decision-making in relation to discretionary benefits. It would seem appropriate to consider aligning the approach with International Financial Reporting Standards (constructive obligation) or under the locally applicable funding standards.	
998.	United Utilities Group	Q25	Q25: Do stakeholders have any general comments on the above section?	
999.	ZVK-Bau	Q25	No. As stated above in our answer to Q24 we regard the section as not necessary concerning benefits. The inclusion of these possible decisions introduces an element of uncertainty that does not help in judging the situation of the IORP and needs constant but unnecessary evaluation.	Noted, please refer to 968.
1.000.	OPSG	Q26	<p>The OPSG believes that the following framework would address the issue.</p> <ol style="list-style-type: none"> 1. The IORP rules should specify the nature of the benefits. 2. Where the benefit is known but the recipient is not (in the event of death distributions) then technical provisions should be established in respect of the expected cashflows. 3. Where the benefit is conditional on funding then the IORP will need to have an agreed policy. If that policy is that, say, pensions will increase by inflation then technical provisions should be established in respect of the expected cashflows and benefits only provided if the funding position permits. 4. Once benefits have been awarded then they have to be reserved for as they cannot be assumed to be discretionary in the future. <p>Care needs to be taken to ensure that where benefits are conditional on funding e.g. in Netherlands, the process does not become circular by requiring additional funding which in turn may require additional conditional benefits to be provided.</p>	<p>Thank you for your comment.</p> <p>Many comments note that it is complex or even impossible to quantify the relation between the funding position and elements of discretionary decision making in a sufficiently robust and objective way. In particular for small and medium sized IORPs. Valuation may be feasible when running a stochastic</p>

			<p>Discretionary powers and decision making should be considered separately. The discretionary power is defined in the rules of the IOPRP and sets out what can or will happen. The decision making process is then:</p> <ol style="list-style-type: none"> 1. Does the IORP have to provide this benefit? – if so then the benefit must be reserved for and paid when it is due 2. If the IORP does not have to provide the benefit then it comes down to <ol style="list-style-type: none"> a. Is there a surplus? – if yes then it can be provided (without additional financing) <p>Is there a deficit? – then either the IORP is brought up to 100% funding or the benefit is not provided</p>	<p>valuation, but many IORPs may not have sufficient knowledge or resources. Also, other challenges are mentioned.</p> <p>EIOPA acknowledges these challenges. However, since valuation of discretionary decision making processes is an important area of attention in the quantitative assessment, such valuations need to be made on a best effort basis.</p>
1.001.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q26	No. We consider models which aim to include such policies neither reliable nor resilient.	Noted, please refer to 1000.
1.002.	ACA	Q26	Unlikely to be sufficiently objective or robust – insufficient data, influencing factors on previous decisions that no longer apply, new factors influencing decision-makers (potentially including the implications on solvency / funding requirements being consulted upon	

			in this Consultation Paper).	
1.003.	Actuarial Association of Europe	Q26	<p>The better the pattern is known, the better a quantification can be made. Given the nature of the decision-making a stochastic model is best fitted for the job. The pattern of decision-making could well be based on an assessment using a different (than a pure market consistent) valuation base. If that is the case this should be incorporated in the evaluation.</p> <p>A pure market consistent valuation appears indeed to be difficult under practical considerations given the numerous interactions between “options” (conditional benefits/benefits reduction/sponsor support/sources of own funds,...). Such a valuation might not be representative at the end and should be completed or replaced when necessary by a qualitative assessment might provide more relevant information. Having a clear view on all the interactions and assessing the elements that could be quantified contributes however to a sound risk management. The proportionality principle should play here a central role.</p>	Noted, please refer to 1000.
1.004.	AEIP	Q26	Quantifying the relation between the funding position of the IORP and elements of discretionary decisions-making is a complex exercise. This is only feasible when running stochastic evaluation. However, it should be recognised that the large majority of IORPs (especially the small and medium ones) does not have sufficient resources to run such an evaluation.	Noted, please refer to 1000.
1.005.	Aon Hewitt	Q26	We refer to our response to Q25. Given the potential importance of this to NL IORPs, we suggest that the NL industry could be asked to produce examples that work for NL pension funds.	Noted, please refer to 1000.
1.006.	Association of Pension	Q26	1. Some discretionary benefits are not related to funding and this	Noted, please refer

	Lawyers		<p>needs to be recognised.</p> <p>2. The actuarial profession in the UK is already involved in the valuation of discretionary benefits and have guidance on how payment 'patterns' should be dealt with during such valuations. We suspect there will be similar mechanisms in place across other member states.</p> <p>3. These existing mechanisms should be considered by EIOPA to avoid the risk of reinventing the wheel, or indeed missing out on the practical experience of the actuarial profession in this area.</p>	to 1000.
1.007.	BAPI	Q26	<p>Q26: Would it be possible, in the views of stakeholders, to properly quantify the relation between the funding position of the IORP and elements of discretionary decision-making (the pattern) in order to take the pattern into account in the valuation process? If so, how?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>In theory we agree with these concepts but in practice this is too</p>	Noted, please refer to 1000.

			complicated for Belgian IORPs which are small and medium sized. This is only valuable in the context of stochastic valuations for IORPs which have the knowledge and resources to set up complex modelling.	
1.008.	Barnett Waddingham LLP	Q26	We do not believe this is possible. There will be other factors than the funding position which influence the decision-making process including members' expectations, views of different decision-makers, and the legal and economic environment.	Noted, please refer to 1000.
1.009.	BASF SE	Q26	No.	
1.010.	Better Finance	Q26	Yes. There should be strict policy (pension fund) rules that limit and frame discretionary decision-making. This should be rule based decision-making.	Noted, please refer to 1000.
1.011.	Compass Group PLC	Q26	Q26: Would it be possible, in the views of stakeholders, to properly quantify the relation between the funding position of the IORP and elements of discretionary decision-making (the pattern) in order to take the pattern into account in the valuation process? If so, how?	
1.012.	D & L Scott	Q26	United Kingdom actuaries already take precedents, if any, into account when estimating technical provisions. If the trustees are in the habit of allowing discretions to be exercised then an estimated value on accrued discretionary benefits is added to technical provisions.	Noted, please refer to 1000.
1.013.	Eversheds LLP	Q26	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We cannot see how this could sensibly be done to produce a meaningful result.</p>	Noted, please refer to 1000.

1.014.	FFSA	Q26	The monitoring of pension plans includes more elements than those that appear in the HBS: several parameters can change the future revenue and expenses, and possibly the IORP may use several sources of funding. So it seems difficult to set a quantified relationship between the coverage ratio of an IORP and discretionary decisions.	Noted, please refer to 1000.
1.015.	FSUG	Q26	Yes. There should be strict policy (pension fund) rules that limit and frame discretionary decision-making. This should be rule based decision-making.	Noted, please refer to 1000.
1.016.	GDV	Q26	<p>Would it be possible, in the views of stakeholders, to properly quantify the relation between the funding position of the IORP and elements of discretionary decision-making (the pattern) in order to take the pattern into account in the valuation process? If so, how?</p> <p>The GDV believes that it is impossible in practice for IORPs, particularly those with many employers, to assess the discretionary decisions of the sponsors. Therefore, these should not be included in the HBS.</p>	Noted, please refer to 1000.
1.018.	Heathrow Airport Limited	Q26	Q26: Would it be possible, in the views of stakeholders, to properly quantify the relation between the funding position of the IORP and elements of discretionary decision-making (the pattern) in order to take the pattern into account in the valuation process? If so, how?	Noted, please refer to 1000.
1.019.	Hoechst-Gruppe VVaG	Q26	No. We consider models which aim to include such policies neither reliable nor resilient.	Noted, please refer to 1000.
1.020.	IFoA	Q26	We are not convinced that this would be possible for UK IORPs in general, although there may be exceptions where there is a well-established pattern. More importantly, we would argue that it is	Noted, please refer to 1000.

			inappropriate to codify pure discretions because such an action may limit the way in which they may be exercised thereafter.	
1.021.	IVS	Q26	We not believe that it is possible to describe the relationship between funding position of an IORP and discretionary decision-making process. It lies in the nature of discretionary decisions, that a number of factors are taken into account, apart from the IORP's fund position, such as strategic considerations, prevailing market practice, etc.	Noted, please refer to 1000.
1.022.	Jane Marshall Consulting	Q26	No.The proposals are far too detailed and prescriptive already and will constitute an unnecessary burden on business.	Noted, please refer to 1000.
1.023.	NAPF	Q26	<p>Q26: Would it be possible, in the views of stakeholders, to properly quantify the relation between the funding position of the IORP and elements of discretionary decision-making (the pattern) in order to take the pattern into account in the valuation process? If so, how?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>It is difficult to see how a sufficiently objective or robust methodology could be developed.</p>	Noted, please refer to 1000.
1.025.	Pensioenfederatie	Q26	We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency	Noted, please refer to 1000.

			<p>purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>In the Netherlands, we try to make pension contracts as complete as possible. Contracts should therefore provide for patterns of decision-making in view of the changing funding position, however with a well-argued derogation through discretionary decision-making at all times.</p>	
1.026.	PensionsEurope	Q26	<p>Would it be possible, in the views of stakeholders, to properly quantify the relation between the funding position of the IORP and elements of discretionary decision-making (the pattern) in order to take the pattern into account in the valuation process? If so, how?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We fear in practice this is too complicated in particular for small and medium sized IORPs.</p>	Noted, please refer to 1000.

			In the Netherlands, agreements should provide for patterns of decision-making in view of the changing funding position, however with a well-argued derogation through discretionary decision-making at all times.	
1.029.	RPTCL	Q26	We consider that it would be difficult to quantify the relation between the funding position of the IORP and elements of discretionary decision making as the balance of powers (between the IORP and the sponsor) in this area can be very different from one IORP to another. We also believe that discerning a meaningful “pattern” could be extremely difficult.	Noted, please refer to 1000.
1.030.	Society of Pension Professionals	Q26	<p>Would it be possible, in the views of stakeholders, to properly quantify the relation between the funding position of the IORP and elements of discretionary decision-making (the pattern) in order to take the pattern into account in the valuation process? If so, how?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions.</p>	Noted, please refer to 1000.

			<p>Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>Unlikely to be sufficiently objective or robust – insufficient data, influencing factors on previous decisions that no longer apply, new factors influencing decision-makers (potentially including the implications on solvency / funding requirements being consulted upon in this Consultation Paper).</p>	
1.032.	Towers Watson	Q26	<p>Would it be possible, in the views of stakeholders, to properly quantify the relation between the funding position of the IORP and elements of discretionary decision-making (the pattern) in order to take the pattern into account in the valuation process? If so, how?</p> <p>This would seem unlikely to be sufficiently objective or robust as there may be insufficient data such as the factors that influenced previous decisions (and which may no longer apply) ; moreover, there may be new factors that would influence current decision-makers (potentially including the implications on solvency / funding requirements being consulted upon in this Consultation Paper).</p>	Noted, please refer to 1000.
1.033.	United Utilities Group	Q26	Q26: Would it be possible, in the views of stakeholders, to properly quantify the relation between the funding position of the IORP and elements of discretionary decision-making (the pattern) in order to take the pattern into account in the valuation process? If so, how?	
1.034.	ZVK-Bau	Q26	No.	
1.035.	OPSG	Q27	The OPSG notes that EIOPA expresses the opinion in paragraph 5.56 that pure discretionary benefits should not be included in an IORPs balance sheet. The OPSG agrees in principle with this view as pure discretionary benefits cannot be considered part of the pension promise and in any event it would be difficult to establish a best	<p>Thank you for your comment.</p> <p>EIOPA acknowledges the challenges in the</p>

			<p>estimate of the future cashflows where there is no defined basis on which the discretion might be exercised in future</p>	<p>valuation of pure discretionary benefits. However, market consistent valuation is an important principle behind the holistic balance sheet.</p> <p>Alternative approaches that are mentioned appear to be not in line with that principle.</p> <p>A number of responses mention that pure discretionary benefits should not be recognised on the holistic balance sheet. However, EIOPA would like to note that the question was not whether discretionary benefits should be recognised on the holistic balance sheet or not, but how they should be valued if they would</p>
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				be recognised.
1.036.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q27	No. Pure discretionary benefits shall not be recognised in an HBS. In addition, we doubt that it is possible to conduct reliable and robust calculations regarding these future uncertain benefits, which are based in complex decision processes. This is particularly the case if it is necessary to consider several scenarios (how many? which weighting?) for which there might be no precedent cases. Too much complexity reduces comprehensibility as well the clarity of the results.	Not agreed, please refer to 1035.
1.037.	ACA	Q27	No. We do not consider that pure discretionary benefits should be recognised in the holistic balance sheet. As such, IORPs should not be required to produce best estimates of future payments.	Not agreed, please refer to 1035.
1.038.	Actuarial Association of Europe	Q27	<p>We don't think that a reasonable estimate of expected future payments of pure discretionary benefits can be made give the very nature of these benefits. Of course if pure discretionary benefits were to be recognised in a holistic balance sheet IORPs need to produce a best estimate. Given the nature of these benefits we don't think that any best estimate is providing a reliable and meaningful number. We would opt not to include a value of pure discretionary benefits in the holistic balance sheet .</p> <p>We would argue strongly against any attempt to describe/quantify what these might be in future as this could raise unreasonable expectations (assuming the member understood it).</p>	Noted, please refer to 1035.
1.039.	AEIP	Q27	<p>AEIP does not believe that the HBS might serve as an adequate tool for prudential supervision.</p> <p>It should neither be used for capital requirements nor as an information tool towards scheme members. If any concrete use for the HBS should be sought, the HBS could possibly have a limited value as</p>	Agreed (w.r.t. the need to produce a best estimate)

			<p>a risk management tool. However, it is still too complex for small and medium sized IORPs, and there are less complex (and more efficient) methods that might be used.</p> <p>AEIP answered all questions of the consultation despite of these doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>We agree that IORPs need to produce a best estimate of expected future payments, if pure discretionary benefits were to be recognised in a holistic balance sheet. But from a principal point of view we are of the opinion that pure discretionary benefits should not be recognised in the holistic balance sheet. In this respect we furthermore refer to the opinion on such benefits as expressed by EIOPA in paragraph 5.56 of this consultation document and our answer on Question 78.</p>	
1.040.	AGV Chemie	Q27	<p>No. Pure discretionary benefits shall not be recognised in an HBS, because it is hardly possible to conduct reliable calculations regarding these uncertain benefits.</p>	Noted, please refer to 1035.
1.041.	Aon Hewitt	Q27	<p>We do not agree with the assertion that discretionary benefits should be recognised in the Holistic Balance Sheet. However we note that, should a best estimate be required, many IORPS are already used to calculating best estimates, as best estimates are required for employer accounting purposes.</p> <p>EIOPA has also stated that discretionary benefits do not need to be protected. Pension scheme members in a number of countries may be relying on discretionary benefits or discretionary pension increases for</p>	Noted, please refer to 1035.

			a major part of their future income, and it may be unwise to state that these do not need to be protected. IORP members may have a different view, and, if they had a reasonable expectation to receive discretionary benefits/increases, then EIOPA may need to investigate how best to manage these expectations.	
1.042.	Association of Pension Lawyers	Q27	<p>1. This is a good example of where it is difficult to provide a meaningful response without knowing the purpose of the HBS. Although some IORPs may pre-fund pure discretionary benefits on a voluntary basis, the sponsor may not wish this to be disclosed to members in case it creates certain expectations which can then become legal obligations.</p> <p>2. We believe that the starting point is for EIOPA to provide a clearer definition of 'best estimate' as this can mean different things to different parties. We envisage difficulties in providing best estimates of pure discretionary benefits. We also note that under UK law it may be possible for a purely discretionary benefit to be converted into a conditional benefit through a specific set of promises.</p> <p>3. We agree that pure discretionary benefits should not be considered as part of the Pillar 1 balance sheet as these do not form part of the pension promise.</p>	Noted, please refer to 1035.
1.043.	BAPI	Q27	<p>Q27: Do stakeholders agree that IORPs need to produce a best estimate of expected future payments (under different scenarios), if pure discretionary benefits were to be recognized in a HBS? If not, what alternative would you suggest?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization</p>	Agreed (w.r.t. the need to produce a best estimate)

			<p>based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>If pure discretionary benefits were to be recognized in the HBS, best estimate of expected future payments according to different scenarios should be taken into account. Again, in theory we can agree with these concepts but in practice this is too complicated for Belgian IORPs which are small and medium sized. This is only valuable in the context of stochastic valuations for IORPs which have the knowledge and resources to set up complex modelling.</p>	
1.044.	Barnett Waddingham LLP	Q27	Pure discretionary benefits should not be included within technical provisions. As such, a best estimate of expected future payments should not be necessary.	Noted, please refer to 1035.
1.045.	BASF SE	Q27	We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept pure discretionary benefits should not be recognized. See also Q24.	Noted, please refer to 1035.
1.046.	BDA	Q27	No. Pure discretionary benefits shall not be recognised in an HBS, because it is hardly possible to conduct reliable calculations regarding these uncertain benefits.	Noted, please refer to 1035.

1.047.	Better Finance	Q27	Pure discretionary benefits are not included in the pension fund nor IORP promised benefits and therefore it would be unrealistic to value them for HBS.	Not agreed, please refer to 1035.
1.048.	Compass Group PLC	Q27	Q27: Do stakeholders agree that IORPs need to produce a best estimate of expected future payments (under different scenarios), if pure discretionary benefits were to be recognised in a holistic balance sheet? If not, what alternative would you suggest?	
1.049.	D & L Scott	Q27	United Kingdom trustees work with “prudent estimates” rather than “best estimates”. United Kingdom actuarial profession, however, provides information to trustees on the difference between “prudent” and “neutral” assumptions as part of its Pensions TAS and TAS : R reporting – see https://www.frc.org.uk/Our-Work/Codes-Standards/Actuarial-Policy/Technical-Actuarial-Standards/Pensions-TAS.aspx	Noted, please refer to 1035.
1.050.	Eversheds LLP	Q27	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We think that pure discretionary benefits should be excluded from the holistic balance sheet or, alternatively, it should be left to individual IORPs to decide whether pure discretionary benefits should be included in the holistic balance sheet or not. Guidance could be developed by national regulators to guide this decision.</p> <p>If the latter approach is adopted and an IORP decides to include pure</p>	Noted, please refer to 1035.

			discretionary benefits, we think that a best estimate valuation should be placed on these but it should be left up to the IORP to decide how to calculate this.	
1.051.	Evonik Industries AG	Q27	No. Pure discretionary benefits shall not be recognised in an HBS, because it is hardly possible to conduct reliable calculations regarding these uncertain benefits.	Noted, please refer to 1035.
1.052.	FFSA	Q27	Yes provided all necessary information are clearly given in contracts boundary.	Agreed (w.r.t. the need to produce a best estimate)
1.053.	FSUG	Q27	Pure discretionary benefits are not included in the pension fund nor IORP rules and therefore it would be unrealistic to value them for HBS.	Not agreed, please refer to 1035.
1.054.	GDV	Q27	<p>Do stakeholders agree that IORPs need to produce a best estimate of expected future payments (under different scenarios), if pure discretionary benefits were to be recognised in a holistic balance sheet? If not, what alternative would you suggest?</p> <p>The GDV believes that it is impossible in practice for IORPs, particularly those with many employers, to assess the discretionary decisions of the sponsors. Therefore, these should not be included in the HBS.</p>	Noted, please refer to 1035.
1.056.	Heathrow Airport Limited	Q27	Q27: Do stakeholders agree that IORPs need to produce a best estimate of expected future payments (under different scenarios), if pure discretionary benefits were to be recognised in a holistic balance sheet? If not, what alternative would you suggest?	

1.057.	Hoechst-Gruppe VVaG	Q27	No. Pure discretionary benefits shall not be recognised in an HBS. In addition, we doubt that it is possible to conduct reliable and robust calculations regarding these future uncertain benefits, which are based in complex decision processes. This is particularly the case if it is necessary to consider several scenarios (how many? which weighting?) for which there might be no precedent cases. Too much complexity reduces comprehensibility as well the clarity of the results.	Not agreed, please refer to 1035.
1.058.	IFoA	Q27	<p>We would strongly discourage the idea of including purely discretionary benefits in the HBS. By their inclusion, there would be an increase in the security of these benefits and, hence, their likelihood of being awarded. This would retrospectively increase the value of IORP members' remuneration.</p> <p>If EIOPA were to proceed on the basis of recognising purely discretionary benefits, we would not support the use of a best estimate. We would suggest that the allowance for purely discretionary benefits is agreed between the relevant social partners.</p>	Not agreed, please refer to 1035.
1.059.	IVS	Q27	<p>At a theoretical level we believe that a best estimate, determined under different scenarios, would be appropriate for the inclusion of discretionary benefits in the HBS/HPF. In practice, however, we do NOT consider that the HBS/HPF is the appropriate instrument for deducing capital requirements for discretionary benefits. Our suggestion is that discretionary benefits have no place in the HBS/HPF until such time as they are granted.</p> <p>See our General Comments for an explanation of "HBS/HPF".</p>	Noted, please refer to 1035.
1.060.	Jane Marshall Consulting	Q27	No. The proposals are far too detailed and prescriptive already and will constitute an unnecessary burden on business.	Not agreed, please refer to 1035.
1.061.	NAPF	Q27		Not agreed, please refer to 1035.

			<p>Q27: Do stakeholders agree that IORPs need to produce a best estimate of expected future payments (under different scenarios), if pure discretionary benefits were to be recognised in a holistic balance sheet? If not, what alternative would you suggest?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>The NAPF does not consider that pure discretionary benefits should be recognised in the Holistic Balance Sheet. As such, IORPs should not be required to produce best estimates of future payments.</p>	
1.064.	Otto Group	Q27	No. Pure discretionary benefits shall not be recognised in an HBS, because it is hardly possible to conduct reliable calculations regarding these uncertain benefits.	Not agreed, please refer to 1035.
1.065.	Pensioenfederatie	Q27	We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.	Agreed (w.r.t. the need to produce a best estimate). Please refer to 1035.

			<p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>We agree that IORPs need to produce a best estimate of expected future payments, if pure discretionary benefits were to be recognised in a holistic balance sheet. But from a principal point of view we are of the opinion that pure discretionary benefits should not be recognised in the holistic balance sheet. In this respect, we furthermore refer to the opinion as expressed by EIOPA in paragraph 5.56 of this consultation document concerning such benefits and to our answer on Question 78.</p>	
1.066.	PensionsEurope	Q27	<p>Do stakeholders agree that IORPs need to produce a best estimate of expected future payments (under different scenarios), if pure discretionary benefits were to be recognised in a holistic balance sheet? If not, what alternative would you suggest?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We agree that IORPs need to produce a best estimate of expected future payments, if pure discretionary benefits were to be recognised</p>	<p>Agreed (w.r.t. the need to produce a best estimate). Please refer to 1035.</p>

			<p>in a holistic balance sheet. However we doubt that it is possible to conduct reliable and robust calculations regarding these future uncertain benefits, which are based in complex decision processes. This is particularly the case if it is necessary to consider several scenarios (how many? which weighting?) for which there might be no precedent cases. Too much complexity reduces comprehensibility as well as the clarity of the results. In practice we fear this is too complicated for small and medium sized IORPs.</p> <p>From a principal point of view we are of the opinion that pure discretionary benefits should not be recognised in the HBS.</p>	
1.067.	Punter Southall	Q27	Pure discretionary benefits should not be recognised in the holistic balance sheet.	Noted, please refer to 1035.
1.070.	RPTCL	Q27	In general, we do not feel that pure discretionary benefits should be recognised in the balance sheet.	Noted, please refer to 1035.
1.071.	Siemens Pensionsfonds	Q27	No. Pure discretionary benefits shall not be recognised in an HBS, because it is hardly possible to conduct reliable calculations regarding these uncertain benefits.	Not agreed, please refer to 1035.
1.072.	Society of Pension Professionals	Q27	<p>Do stakeholders agree that IORPs need to produce a best estimate of expected future payments (under different scenarios), if pure discretionary benefits were to be recognised in a holistic balance sheet? If not, what alternative would you suggest?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In</p>	Not agreed, please refer to 1035.

			<p>particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>No. We do not consider that pure discretionary benefits should be recognised in the holistic balance sheet. As such, IORPs should not be required to produce best estimates of future payments.</p>	
1.074.	Towers Watson	Q27	<p>Do stakeholders agree that IORPs need to produce a best estimate of expected future payments (under different scenarios), if pure discretionary benefits were to be recognised in a holistic balance sheet? If not, what alternative would you suggest?</p> <p>No. We do not consider that pure discretionary benefits should be recognised in the holistic balance sheet. As such, IORPs should not be required to produce best estimates of future payments.</p>	Not agreed, please refer to 1035.
1.075.	United Utilities Group	Q27	<p>Q27: Do stakeholders agree that IORPs need to produce a best estimate of expected future payments (under different scenarios), if pure discretionary benefits were to be recognised in a holistic balance sheet? If not, what alternative would you suggest?</p>	
1.076.	ZVK-Bau	Q27	No. We suggest not to recognize pure discretionary benefits at	Not agreed, please

			all.neither in a real nor in a holistic balance sheet of any kind.	refer to 1035.
1.077.	OPSG	Q28	<p>The OPSG agrees. This should follow the IORP's policy on the mixed benefit. If there is a policy or intention to provide these benefits (even if not strictly required), they should be reserved for.</p> <p>It is also important to establish a process in relation to the awarding of these benefits. They should not be awarded if the IORP is in deficit at the time. To do otherwise would reduce funding ratios and put a greater strain on the sponsor</p>	<p>Thank you for your comment.</p> <p>EIOPA acknowledges the challenges in the valuation of mixed benefits. However, market consistent valuation is an important principle behind the holistic balance sheet.</p> <p>Alternative approaches that are mentioned appear to be not in line with that principle.</p> <p>A number of responses mention that mixed benefits should not be recognised on the holistic balance sheet. However, EIOPA would like to note that the question was not whether mixed benefits should be recognised on the</p>

				holistic balance sheet, but how they should be valued if they were recognised.
1.078.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q28	<p>No. As a type of discretionary benefits, mixed benefits should also not be included in an HBS (see Q27). For IORPs this includes future surplus participation of members and beneficiaries which is not guaranteed.</p> <p>The answer to Q27 was:</p> <p>Pure discretionary benefits shall not be recognised in an HBS. In addition, we doubt that it is possible to conduct reliable and robust calculations regarding these future uncertain benefits, which are based in complex decision processes. This is particularly the case if it is necessary to consider several scenarios (how many? which weighting?) for which there might be no precedent cases. Too much complexity reduces comprehensibility as well the clarity of the results.</p>	Not agreed, please refer to 1077.
1.079.	ACA	Q28	No. This should be for Member States and their national competent authorities to determine.	Not agreed, please refer to 1077.
1.080.	Actuarial Association of Europe	Q28	We agree that it should be possible to provide some estimate of expected future payments of mixed benefits. Their characteristics should be clearly described pointing out the conditional versus discretionary character. The closer they are to pure conditional benefits in the spectrum the better to provide a reasonable estimate. The estimate will be very weak and probably not very useful if the mixed benefits are close to pure discretionary benefits. Given the nature of the benefits and the decision-making around, a stochastic	Noted, please refer to 1077.

			model is probably best fitted for the job. The pattern of decision-making could well be based on an assessment using a different (than market consistent) valuation base. If that is the case this should be incorporated in the evaluation as part of the modelling of the rules for the decision-making. The quantification result should be on a market consistent basis likewise the other other items in the holistic balance sheet.	
1.081.	AEIP	Q28	<p>AEIP does not believe that the HBS might serve as an adequate tool for prudential supervision.</p> <p>It should neither be used for capital requirements nor as an information tool towards scheme members. If any concrete use for the HBS should be sought, the HBS could possibly have a limited value as a risk management tool. However, it is still too complex for small and medium sized IORPs, and there are less complex (and more efficient) methods that might be used.</p> <p>AEIP answered all questions of the consultation despite of these doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>We agree that, if mixed benefits were to be recognised in a holistic balance sheet, IORPs need to produce a best estimate of expected future payments, but we foresee that this will be very difficult or even impossible for small and medium sized IORPs. In this respect we also refer to our answer on Question 79 in this consultation document.</p>	Agreed (w.r.t. the need to produce a best estimate). Please refer to 1077.
1.082.	Aon Hewitt	Q28	We do not agree with the assertion that discretionary benefits should be recognised in the Holistic Balance Sheet. However we note that, should a best estimate be required, many IORPS are already used to calculating best estimates, as best estimates are required for	Agreed (w.r.t. the need to produce a best estimate). Please refer to

			<p>employer accounting purposes.</p> <p>EIOPA has also stated that discretionary benefits do not need to be protected. Pension scheme members in a number of countries may be relying on discretionary benefits or discretionary pension increases for a major part of their future income, and it may be unwise to state that these do not need to be protected. IORP members may have a different view, and, if they had a reasonable expectation to receive discretionary benefits/increases, then EIOPA may need to investigate how best to manage these expectations.</p>	1035.
1.083.	Association of Pension Lawyers	Q28	<p>The description provided of mixed benefits is not clear, and is widely defined. Further work is needed to clarify the definitions with real world examples to allow us to consider the breaks between the three classes of decision making in the context of the UK IORP system.</p>	Noted, please refer to 1077.
1.084.	BAPI	Q28	<p>Q28: Do stakeholders agree that IORPs need to produce a best estimate of expected future payments (under different scenarios), if mixed benefits were to be recognized in a HBS? If not, what alternative would you suggest?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on</p>	<p>Agreed (w.r.t. the need to produce a best estimate). Please refer to 1077.</p>

			<p>solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>If mixed benefits were to be recognized in the HBS, best estimate of expected future payments according to different scenarios should be taken into account. Again, in theory we can agree with these concepts but in practice this is too complicated for Belgian IORPs which are small and medium sized. This is only valuable in the context of stochastic valuations for IORPs which have the knowledge and resources to set up complex modelling.</p>	
1.085.	Barnett Waddingham LLP	Q28	We believe that any solvency requirements should be set by national regulators who will have an understanding of the appropriate background.	Noted, please refer to 1077.
1.086.	BASF SE	Q28	We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept mixed benefits should not be recognized. See also Q24.	Noted, please refer to 1077.
1.087.	Better Finance	Q28	If there is an IORP policy or pension fund rules or reasonably probable intention of IORP and the sponsor to provide mixed benefits, there should be a requirement for best estimate of expected future payments based on various scenarios. However, the awarding of mixed benefit should be strictly allowed only if the IORP is in surplus and would not create additional pressure on sponsor, current members and/or future beneficiaries.	Agreed (w.r.t. the need to produce a best estimate). Please refer to 1077.
1.088.	Compass Group PLC	Q28	Q28: Do stakeholders agree that IORPs need to produce a best estimate of expected future payments (under different scenarios), if mixed benefits were to be recognised in a holistic balance sheet? If not, what alternative would you suggest?	

1.089.	D & L Scott	Q28	Ditto	
1.090.	Eversheds LLP	Q28	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We think that it should be left to individual IORPs to decide whether mixed benefits should be included in the holistic balance sheet or not. Guidance could be developed by national regulators to guide this decision.</p> <p>Where mixed benefits are included we think that a best estimate valuation should be placed on these, but it should be left up to the IORP to determine how to calculate this.</p>	<p>Agreed (w.r.t. the need to produce a best estimate). Please refer to 1077.</p>
1.091.	FFSA	Q28	Yes provided all necessary information are clearly given in contracts boundary.	<p>Agreed (w.r.t. the need to produce a best estimate). Please refer to 1077.</p>
1.092.	FSUG	Q28	If there is an IORP policy or pension fund rules or reasonably probable intention of IORP and the sponsor to provide mixed benefits, there should be a requirement for best estimate of expected future payments based on various scenarios. However, the awarding of mixed benefit should be strictly allowed only if the IORP is in surplus and would not create additional pressure on sponsor, current members and/or future beneficiaries.	<p>Agreed (w.r.t. the need to produce a best estimate). Please refer to 1077.</p>
1.093.	GDV	Q28	Do stakeholders agree that IORPs need to produce a best estimate of expected future payments (under different scenarios), if mixed	<p>Noted, please refer to 1077.</p>

			<p>benefits were to be recognised in a holistic balance sheet? If not, what alternative would you suggest?</p> <p>Benefits that are comparable to future discretionary bonuses for life insurance undertakings should be treated in a similar way.</p>	
1.095.	Heathrow Airport Limited	Q28	<p>Q28: Do stakeholders agree that IORPs need to produce a best estimate of expected future payments (under different scenarios), if mixed benefits were to be recognised in a holistic balance sheet? If not, what alternative would you suggest?</p>	
1.096.	Hoechst-Gruppe VVaG	Q28	<p>No. As a type of discretionary benefits, mixed benefits should also not be included in an HBS (see Q27). For IORPs this includes future surplus participation of members and beneficiaries which is not guaranteed.</p> <p>The answer to Q27 was:</p> <p>Pure discretionary benefits shall not be recognised in an HBS. In addition, we doubt that it is possible to conduct reliable and robust calculations regarding these future uncertain benefits, which are based in complex decision processes. This is particularly the case if it is necessary to consider several scenarios (how many? which weighting?) for which there might be no precedent cases. Too much complexity reduces comprehensibility as well the clarity of the results.</p>	Noted, please refer to 1077.
1.097.	IFoA	Q28	<p>Mixed benefits are not a significant feature of UK IORPs. Even in Europe, a wide range of designs exist and this is likely to make it difficult to find definitions that work across the EU. Principles that could apply in this instance should:</p>	Not agreed, please refer to 1077.

			<input type="checkbox"/> Make no allowance for the purely discretionary component of mixed benefits, if allowance were to be made, it should be agreed between the social partners. <input type="checkbox"/> Use a best estimate of the conditional component of these benefits where the relevant conditions are sufficiently well-defined for this to be possible.	
1.098.	IVS	Q28	<p>At a theoretical level we believe that a best estimate, determined under different scenarios, would be appropriate for the inclusion of mixed benefits in the HBS/HPF. In practice, however, we do NOT consider that the HBS/HPF is the appropriate instrument for deducting capital requirements for mixed benefits, because they can contain significant discretionary elements. Our suggestion is that discretionary benefits have no place in the HBS/HPF until such time as they are granted.</p> <p>See our General Comments for an explanation of "HBS/HPF".</p>	Noted, please refer to 1077.
1.099.	Jane Marshall Consulting	Q28	No. The proposals are far too detailed and prescriptive already and will constitute an unnecessary burden on business	Not agreed, please refer to 1077.
1.100.	NAPF	Q28	<p>Q28: Do stakeholders agree that IORPs need to produce a best estimate of expected future payments (under different scenarios), if mixed benefits were to be recognised in a holistic balance sheet? If not, what alternative would you suggest?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>This should be a matter for Member States.</p>	Not agreed, please refer to 1077.

1.102.	Pensioenfederatie	Q28	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes.. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>We agree that, if mixed benefits were to be recognised in a holistic balance sheet, IORPs need to produce a best estimate of expected future payments. We foresee that this will be very difficult or even impossible for small and medium sized IORPs. In this respect we also refer to our answer on Question 79 of this consultation document.</p>	<p>Agreed (w.r.t. the need to produce a best estimate). Please refer to 1077.</p>
1.103.	PensionsEurope	Q28	<p>Do stakeholders agree that IORPs need to produce a best estimate of expected future payments (under different scenarios), if mixed benefits were to be recognised in a holistic balance sheet? If not, what alternative would you suggest?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and</p>	<p>Agreed (w.r.t. the need to produce a best estimate). Please refer to 1077.</p>

			<p>macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We agree that, if mixed benefits were to be recognised in a HBS, IORPs need to produce a best estimate of expected future payments, but we foresee that this will be very difficult or even impossible in particular for small and medium sized IORPs.</p>	
1.106.	RPTCL	Q28	<p>To the extent that mixed benefits have an extremely strong likelihood of being paid, we agree with the approach suggested for mixed benefits.</p>	Noted, please refer to 1077.
1.107.	Society of Pension Professionals	Q28	<p>Do stakeholders agree that IORPs need to produce a best estimate of expected future payments (under different scenarios), if mixed benefits were to be recognised in a holistic balance sheet? If not, what alternative would you suggest?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation</p>	Noted, please refer to 1077.

			<p>between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>This should be for individual Member States and their national competent authorities to determine.</p>	
1.108.	Towers Watson	Q28	<p>Do stakeholders agree that IORPs need to produce a best estimate of expected future payments (under different scenarios), if mixed benefits were to be recognised in a holistic balance sheet? If not, what alternative would you suggest?</p> <p>This should be for individual Member States and their national competent authorities to determine. For IORPs based in the Netherlands, where conditional indexation is likely to be treated as mixed benefits, we agree that the proposed approach seems reasonable.</p>	Noted, please refer to 1077.
1.109.	United Utilities Group	Q28	<p>Q28: Do stakeholders agree that IORPs need to produce a best estimate of expected future payments (under different scenarios), if mixed benefits were to be recognised in a holistic balance sheet? If not, what alternative would you suggest?</p>	
1.110.	ZVK-Bau	Q28	<p>We do not see the necessity to recognize mixed benefits at all neither in a real nor in a holistic balance sheet of any kind.</p>	Noted, please refer to 1077.
1.111.	OPSG	Q29	<p>If non-legally enforceable sponsor support was to be included on the holistic balance sheet, the IORP does need to produce a best estimate of future contributions and these should be agreed in a schedule as part of the valuation process or recovery plan. Where this is the case</p>	Thank you for your comment.

			<p>then the full value of these contributions should be included in the HBS, perhaps with some adjustment to reflect whether these would be obtainable in an insolvency situation. An agreement to pay should be sufficient to include in the HBS</p>	<p>EIOPA acknowledges the challenges in the valuation of non-legally enforceable sponsor support. However, market consistent valuation is an important principle behind the holistic balance sheet. Alternative approaches that are mentioned appear to be not in line with that principle.</p> <p>A number of responses mention that non-legally enforceable sponsor support should not be recognised on the holistic balance sheet. However, EIOPA would like to note that the question was not whether non-legally enforceable sponsor support should be recognised on the holistic balance</p>
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				sheet, but how it should be valued if it was recognised.
1.112.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q29	Because of the absence of enforceability, non-legally enforceable sponsor support should in principle not be a part of the HBS. However, it must be possible to use reliable support instruments if they are sufficient and necessary. Reliable and therefore enforceable support instruments are for us a key characteristic of occupational pensions organised by social partners.	Noted, please refer to 1111.
1.113.	ACA	Q29	This should be for Member States and their national competent authorities to determine.	Noted.
1.114.	Actuarial Association of Europe	Q29	In some member states (e.g. UK , Ireland), the scheme's governing documents provide that the employer should pay the contributions (agreed with the Trustees and on the advice of the Actuary) which are required to meet the balance of cost of future benefits. This has generally worked in the past, so there is historic evidence of sponsor support being delivered. In more recent times, employers have not been able to pay the contributions required, so there have been benefit reductions and scheme wind-ups although in many of these the employer would have made some additional contributions i.e. delivered some sponsor support. In our view, allowance must be made for non-legally enforceable sponsor support on a basis which the IORP/sponsor/supervisor think is realistic, which probably means that it should be a Member State option.	Noted, please refer to 1111.
1.115.	AEIP	Q29	AEIP does not believe that the HBS might serve as an adequate tool for prudential supervision. It should neither be used for capital requirements nor as an information tool towards scheme members. If any concrete use for the HBS should be sought, the HBS could possibly have a limited value as	Agreed (w.r.t. the need to produce a best estimate).

			<p>a risk management tool. However, it is still too complex for small and medium sized IORPs, and there are less complex (and more efficient) methods that might be used.</p> <p>AEIP answered all questions of the consultation despite of these doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>We agree that IORPs need to produce a best estimate of expected future sponsor payments if non-legally enforceable sponsor support was to be included on the holistic balance sheet. But we think that this will be very difficult or even impossible for small and medium sized IORPs.</p>	
1.116.	AGV Chemie	Q29	<p>Within this HBS-concept sponsor support which is legally enforceable in Germany should always be a balancing item.</p>	<p>This does not answer the question at hand, as the question relates to non-legally enforceable sponsor support.</p>
1.117.	Aon Hewitt	Q29	<p>For many IORPs/Employers, non-legally enforceable sponsor support may form an important part of sponsor support. To ignore it from the Holistic Balance Sheet risks completely understating balance sheet assets. We agree that non-legally enforceable sponsor support should be included, but it should be shown separately from legally enforceable sponsor support. This can then help IORPS (and supervisors) assess how much non-legally enforceable sponsor support could be available and whether some of this could be converted to legally enforceable sponsor support (eg through the use of a parent guarantee).</p>	<p>Noted, please refer to 1111.</p>

1.118.	Association of Pension Lawyers	Q29	Clarification is needed on “best estimate”. Non-legally enforceable sponsor support is an important factor for the security of IORPs. This is an area that IORPs are already familiar with as it forms part of the scheme valuation cycle and on-going monitoring. There are a number of factors that will need to be taken into account when valuing such support, for example, the sponsor’s financial position, sector, market position, industry pressures and so on. These factors would be relevant in any modelling exercise. It is important to note that the value placed on non-legally enforceable sponsor support can vary considerably between IORPs and if some form of “best estimate” is to be produced for the HBS then this will require IORPs to take advice from covenant assessors.	Noted, please refer to 1111.
1.119.	BAPI	Q29	<p>Q29: Do stakeholders agree that IORPs need to produce a best estimate of expected future sponsor payments (under different scenarios), if non-legally enforceable sponsor support was to be included on the HBS? If not, what alternative would you suggest?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI’s view, BAPI answers EIOPA’s questions in order to provide constructive input for EIOPA’s further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p>	Agreed (w.r.t. the need to produce a best estimate).

			If non-legally sponsor support were to be recognized in the HBS, best estimate of expected future sponsor support payments according to different scenarios should be taken into account. It should be possible to only show non-legally enforceable sponsor support in case legally enforceable sponsor support seems to be insufficient.	
1.120.	Barnett Waddingham LLP	Q29	We believe that any solvency requirements should be set by national regulators who will have an understanding of the appropriate background.	This does not answer the question at hand.
1.121.	BASF SE	Q29	We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept sponsor support which is legally enforceable in Germany should always be a balancing item.	This does not answer the question at hand, as the question relates to non-legally enforceable sponsor support.
1.122.	BDA	Q29	Within this HBS-concept sponsor support which is legally enforceable in Germany should always be a balancing item.	This does not answer the question at hand, as the question relates to non-legally enforceable sponsor support.
1.123.	Better Finance	Q29	If there is no legal force on sponsor support, it would be unrealistic to make any kind of scenario valuations of future sponsor payments.	Noted, please refer to 1111.
1.124.	Compass Group PLC	Q29	Q29: Do stakeholders agree that IORPs need to produce a best estimate of expected future sponsor payments (under different scenarios), if non-legally enforceable sponsor support was to be included on the holistic balance sheet? If not, what alternative would	

			you suggest?	
1.125.	D & L Scott	Q29	<p>The United Kingdom Pensions Regulator has already suggested that trustees should have a “complete financial management plan” which, in my experience, leads trustees to forecast and project cash flows in various scenarios. Best estimate, however, is not usually the basis of the core budget or plan, where “prudent” estimates are used instead.</p> <p>http://www.thepensionsregulator.gov.uk/docs/pension-scheme-funding-in-the-current-environment-statement-april-2012.pdf</p>	Noted, please refer to 1111.
1.126.	EAPSPI	Q29	<p>Sponsor support must be included if its function as a security mechanism is reliable. This means that legally enforceable sponsor support should always be allowed for in the HBS as this constitutes a key characteristic of occupational pensions organised by the social partners.</p> <p>But sponsor support should also be part of the HBS if it might not be legally enforceable but actually effective and practically existent. This might be the case in a multi-employer scheme with “last man standing” financing where legally enforceable sponsor support is only available for every employee against his/her own employer. Even if the scheme does not provide a legally enforceable “last man standing” principle, social partners as representatives of the sponsors act as if it was available. Thus we suggest that in these cases of a practical application of “last man standing”, it should also be recognized as being available to the IORP if it can be shown from historical data that the collective funding of the scheme has been applied in the past.</p>	Noted, please refer to 1111.

1.127.	Eversheds LLP	Q29	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>No. We do not think that non-legally enforceable sponsor support should be included on the holistic balance sheet on the basis that the prospect of such support being provided to the scheme in the future is too uncertain and, therefore, it would be imprudent for IORPs to rely upon such support in assessing their solvency.</p> <p>Regulatory guidance in the UK states that IORP should not rely upon non-legally binding sponsor support in assessing their solvency and so if EIOPA were to allow this to be recognised on the holistic balance sheet it would run counter to this.</p>	Noted, please refer to 1111.
1.128.	Evonik Industries AG	Q29	Within this HBS-concept sponsor support which is legally enforceable in Germany should always be a balancing item.	This does not answer the question at hand, as the question relates to non-legally enforceable sponsor support.
1.129.	FFSA	Q29	No. Non-legally enforceable sponsor support cannot be included in the HBS. Only legally enforceable sponsor for which a clear definition is needed to be stated at EU level should be recognised in the HBS.	Noted, please refer to 1111.
1.130.	FSUG	Q29	If there is no legal force on sponsor support, it would be unrealistic to make any kind of scenario valuations of future sponsor payments.	Noted, please refer to 1111.

1.131.	GDV	Q29	Do stakeholders agree that IORPs need to produce a best estimate of expected future sponsor payments (under different scenarios), if non-legally enforceable sponsor support was to be included on the holistic balance sheet? If not, what alternative would you suggest?	Noted, please refer to 1111.
1.133.	Heathrow Airport Limited	Q29	Q29: Do stakeholders agree that IORPs need to produce a best estimate of expected future sponsor payments (under different scenarios), if non-legally enforceable sponsor support was to be included on the holistic balance sheet? If not, what alternative would you suggest?	
1.134.	Hoechst-Gruppe VVaG	Q29	Because of the absence of enforceability, non-legally enforceable sponsor support should in principle not be a part of the HBS. However, it must be possible to use reliable support instruments if they are sufficient and necessary. Reliable and therefore enforceable support instruments are for us a key characteristic of occupational pensions organised by social partners.	Noted, please refer to 1111.
1.135.	IFoA	Q29	The IFoA would welcome a facility to recognise non-legally enforceable sponsor support, as it can be significant in the context of UK IORPs. To not allow it would be contrary to the "level playing" field objective. In the UK , it is common for the sponsoring entity to be the service company, whose only function is to employ the workforce, which then provides labour to other entities within the corporate structure. These service companies typically have limited resources but, in practice, the resources of those other entities are made available because those	Noted.

			<p>entities are dependent on those service companies (for labour).</p> <p>The IFoA suggests that the best approach would be to quantify the legally enforceable sponsor support. Any non-legally enforceable sponsor support would act as a balancing item, with a qualitative assessment of the ability and willingness of the sponsor to provide the necessary funds. The range of outcomes for the “quality” of the non-legally enforceable sponsor support will be from “near certain” (for example when not providing support would damage the sponsor and resources far exceeding the amounts involved) to “unlikely”.</p>	
1.136.	IVS	Q29	<p>We believe that non-legally enforceable sponsor support should be taken into account in the HBS/HPF, because it is an element of the specificities of IORPs. At a theoretical level we believe that a best estimate, determined under different scenarios, would be appropriate for the inclusion of non-legally enforceable sponsor support. In practice, however, we do NOT consider that this best estimate can be reliably determined, since the IORP will typically not have the necessary information available to do so. This is particularly true for IORPs with many sponsors.</p> <p>See our General Comments for an explanation of “HBS/HPF”.</p>	Noted, please refer to 1111.
1.137.	Jane Marshall Consulting	Q29	<p>Yes. However, the proposals are far too detailed and prescriptive already and will constitute an unnecessary burden on business.</p>	Agreed (w.r.t. the need to produce a best estimate).
1.138.	NAPF	Q29	<p>Q29: Do stakeholders agree that IORPs need to produce a best estimate of expected future sponsor payments (under different scenarios), if non-legally enforceable sponsor support was to be included on the holistic balance sheet? If not, what alternative would you suggest?</p>	Noted, please refer to 1111.

			<p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>IORPs in the UK do not generally put much weight on non-legally enforceable sponsor support, so it would seem imprudent to take it into account in any kind of balance sheet intended to support assessment of the scheme's future prospects.</p>	
1.141.	Otto Group	Q29	Within this HBS-concept sponsor support which is legally enforceable in Germany should always be a balancing item.	This does not answer the question at hand, as the question relates to non-legally enforceable sponsor support.
1.142.	Pensioenfederatie	Q29	We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.	Agreed (w.r.t. the need to produce a best estimate).

			<p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>We agree that IORPs need to produce a best estimate of expected future sponsor payments, if non-legally enforceable sponsor support was to be included in the holistic balance sheet. At the same time we think that this will be very difficult or even impossible for small and medium sized IORPs.</p>	
1.143.	PensionsEurope	Q29	<p>Do stakeholders agree that IORPs need to produce a best estimate of expected future sponsor payments (under different scenarios), if non-legally enforceable sponsor support was to be included on the holistic balance sheet? If not, what alternative would you suggest?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We agree that IORPs need to produce a best estimate of expected future sponsor payments if non-legally enforceable sponsor support were to be included on the holistic balance sheet. It must be possible to use reliable (i.e. legally and/or contractually enforceable) support instruments if they are sufficient and necessary. Reliable and therefore</p>	Agreed (w.r.t. the need to produce a best estimate).

			<p>(legally and/or non-legally) enforceable support instruments are for us a key characteristic of occupational pensions organised by the social partners.</p> <p>Finally, we think that it will be very difficult or even impossible for small and medium sized IORPs to produce such an estimate.</p>	
1.144.	PricewaterhouseCoopers	Q29	<p>Yes</p> <p>Non-legally enforceable sponsor support can be significant in some cases, and should therefore be included. For example, an overseas group parent company may provide support to a UK pension scheme even though the overseas group entity has no legal obligation to do so. The factors driving the magnitude and duration of that support will indeed vary on a case-by-case basis, but it would be possible to make an assessment of the value of such support. Although it would be based on a subjective set of assumptions, EIOPA could provide useful guidance on appropriate considerations. For example :</p> <ul style="list-style-type: none"> • The geographic market of the employer being essential to the commercial success of the group. • The employer having some heritage or brand strength which is vital to the wider group. • A presence in the employer's location being needed for licencing or regulatory reasons. • The employer's location being a key regional supply hub. • The employer having staff with unique skills which are essential to the wider group. 	Agreed (w.r.t. the need to produce a best estimate).

			These are just some examples of circumstances when it would be in the commercial interests of the wider group to provide non-legally enforceable support to the sponsor, even if they have no legal obligation to do so.	
1.147.	RPTCL	Q29	We see considerable difficulty in providing a universal approach for taking account of non-legally binding sponsor support given the huge variety of circumstances where it might be applicable. There are some circumstances in our IORPs where we place a value on non-legally binding support and others where we do not. Consistent with our overall views on the holistic balance sheet and sponsor support generally, we believe that non-legally binding sponsor support should be considered "in the round" by sponsors, IORPs and national regulators as part of an integrated approach to IORP funding.	Noted, please refer to 1111.
1.148.	Siemens Pensionsfonds	Q29	Within this HBS-concept sponsor support which is legally enforceable in Germany should always be a balancing item.	This does not answer the question at hand, as the question relates to non-legally enforceable sponsor support.
1.149.	Society of Pension Professionals	Q29	Do stakeholders agree that IORPs need to produce a best estimate of expected future sponsor payments (under different scenarios), if non-legally enforceable sponsor support was to be included on the holistic balance sheet? If not, what alternative would you suggest? Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left	Noted.

			<p>to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>This should be for individual Member States and their national competent authorities to determine.</p>	
1.151.	Towers Watson	Q29	<p>Do stakeholders agree that IORPs need to produce a best estimate of expected future sponsor payments (under different scenarios), if non-legally enforceable sponsor support was to be included on the holistic balance sheet? If not, what alternative would you suggest?</p> <p>We agree that if non-legally enforceable sponsor support is included in the HBS, the expected value should be modelled on a case specific basis using assumptions specific to and justified by the sponsor's specific circumstances. It seems logical that individual Member States and their national competent authorities are best placed to determine what is appropriate.</p>	Noted, please refer to 1111.
1.152.	United Utilities Group	Q29	<p>Q29: Do stakeholders agree that IORPs need to produce a best estimate of expected future sponsor payments (under different scenarios), if non-legally enforceable sponsor support was to be included on the holistic balance sheet? If not, what alternative would</p>	

			you suggest?	
1.153.	ZVK-Bau	Q29	<p>Apart from the overall unfitting concept of the HBS for our scheme the answer is yes. It must be possible to use reliable support instruments if they are sufficient and necessary. This means that in general legally enforceable sponsor support will be of central importance as this constitutes a key characteristic of occupational pensions organised by the social partners.</p> <p>But in some cases even though there might be no legally enforceable sponsor support actually exists reliable sponsor support mechanisms should be part of the HBS (see also Q 65 and Q 76): Legally enforceable sponsor support is available for every employee against his/her own employer. But as a whole there might be no legally enforceable "last man standing principle" available in a sense that the industry is indebted to finance the benefits of every member on a collective basis. But although the scheme does not provide of a legally enforceable "last man standing principle" social partners as representatives of the sponsors act as if it was available. Thus we suggest that in these cases of a practical application of "last man standing" it should also be recognized as being at the disposition of the IORP if it can be shown from historical data that the collective funding of the scheme has been applied in the past reasonably often.</p>	Noted, please refer to 1111.
1.154.	OPSG	Q30	Yes	<p>Thank you for your comment.</p> <p>Most comments agree on the options.</p>
1.155.	aba Arbeitsgemeinschaft für	Q30	Yes.	Noted, please refer to 1154.

	betriebliche Altersve			
1.156.	ACA	Q30	This should be for Member States and their national competent authorities to determine.	Noted, please refer to 1154.
1.157.	Actuarial Association of Europe	Q30	No , another option for valuing off-balance capital instruments would be to value them taking into account the conditions under which they could/would be called up.	Noted, please refer to 1154.
1.158.	AEIP	Q30	<p>AEIP does not believe that the HBS might serve as an adequate tool for prudential supervision.</p> <p>It should neither be used for capital requirements nor as an information tool towards scheme members. If any concrete use for the HBS should be sought, the HBS could possibly have a limited value as a risk management tool. However, it is still too complex for small and medium sized IORPs, and there are less complex (and more efficient) methods that might be used.</p> <p>AEIP answered all questions of the consultation despite of these doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>We agree that these Options 1 and 2 are the two options for valuing off-balance capital instruments.</p>	Noted, please refer to 1154.
1.159.	AGV Chemie	Q30	Yes	Noted, please refer to 1154.
1.160.	Aon Hewitt	Q30	In our experience, there is limited use of off-balance sheet capital instruments for IORPs. We can see arguments for using either Option 1 or Option 2. Therefore, rather than be prescriptive, it may be useful to have a principles-based approach; the Option for each IORP to be determined on a case by case basis.	Noted, please refer to 1154.

1.161.	Association of Pension Lawyers	Q30	<p>1. We are not entirely clear what these off-balance capital instruments would be in the context of UK IORPs.</p> <p>2. Due to the wide variety of off-balance capital instruments we do not necessarily believe that a 'one size fits all' approach can be taken to valuation. In practical terms valuation on one basis could be appropriate for one type of instrument, whilst another type of valuation would give a better indication of likely recovery of another due to its structure or legal framework.</p> <p>3. Attempting to bring together such a large class of instruments within a single valuation mechanism does not appear to us to be appropriate.</p>	Noted, please refer to 1154.
1.162.	BAPI	Q30	<p>Q30: Do stakeholders agree that these are the two options for valuing off-balance capital instruments? If not, what alternative options would you suggest?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p>	Noted, please refer to 1154.

			We agree.	
1.163.	BDA	Q30	Yes	Noted, please refer to 1154.
1.164.	Better Finance	Q30	Yes, we agree.	Noted, please refer to 1154.
1.165.	Compass Group PLC	Q30	Q30: Do stakeholders agree that these are the two options for valuing off-balance capital instruments? If not, what alternative options would you suggest?	
1.166.	D & L Scott	Q30	In my experience of United Kingdom IORPs, I have seen contingent escrow accounts used. The valuation approach has then usually followed your Option 2. I am less familiar with so-called “book reserve” accounting in other Member States and whether the IORP has contractual or other access to such ancillary funds retained by sponsoring employers.	Noted, please refer to 1154.
1.167.	Eversheds LLP	Q30	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>It is not clear to us what is meant by “off-balance capital instruments” and so we are unable to comment on this. EIOPA needs to clarify what is meant by the term if it develops the holistic balance sheet further.</p> <p>Havning said that, we think that it is essential that contingent assets (such as group company guarantees, letters of credit and charges over property) are recognised on the holistic balance sheet if it is developed</p>	Noted, please refer to 1154.

			further. If these are not recognised under this heading they should be recognised elsewhere.	
1.168.	Evonik Industries AG	Q30	Yes	Noted, please refer to 1154.
1.169.	FSUG	Q30	Yes, we agree.	Noted, please refer to 1154.
1.170.	FVPK	Q30	<p>Do stakeholders agree that these are the two options for valuing off-balance capital instruments? If not, what alternative options would you suggest?</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>Both options are suitable.</p>	Noted, please refer to 1154.
1.171.	GDV	Q30	Do stakeholders agree that these are the two options for valuing off-balance capital instruments? If not, what alternative options would you suggest?	
1.173.	Heathrow Airport Limited	Q30	Q30: Do stakeholders agree that these are the two options for valuing off-balance capital instruments? If not, what alternative options would you suggest?	

1.174.	Hoechst-Gruppe VVaG	Q30	Yes.	Noted, please refer to 1154.
1.175.	IFoA	Q30	The IFoA has no comment as off-balance sheet capital instruments are not a feature of current UK IORPs.	
1.176.	IVS	Q30	Yes.	Noted, please refer to 1154.
1.177.	Jane Marshall Consulting	Q30	Yes.	Noted, please refer to 1154.
1.178.	NAPF	Q30	<p>Q30: Do stakeholders agree that these are the two options for valuing off-balance capital instruments? If not, what alternative options would you suggest?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>This should be a matter for Member States.</p>	Noted, please refer to 1154.
1.180.	Otto Group	Q30	Yes	Noted, please refer to 1154.
1.181.	Pensioenfederatie	Q30	We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to	Noted, please refer to 1154.

			<p>us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>We agree that Options 1 and 2 are the two options for valuing off-balance capital instruments.</p>	
1.182.	PensionsEurope	Q30	<p>Do stakeholders agree that these are the two options for valuing off-balance capital instruments? If not, what alternative options would you suggest?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We agree that these Options 1 and 2 are the two options for valuing off-balance capital instruments.</p>	Noted, please refer to 1154.
1.185.	RPTCL	Q30	Off-balance sheet capital instruments are not relevant to our IORPs,	Noted, please refer

			so we do not have comments to add on this question.	to 1154.
1.186.	Siemens Pensionsfonds	Q30	Yes	Noted, please refer to 1154.
1.187.	Society of Pension Professionals	Q30	<p>Do stakeholders agree that these are the two options for valuing off-balance capital instruments? If not, what alternative options would you suggest?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p>	Noted, please refer to 1154.
1.189.	Towers Watson	Q30	Do stakeholders agree that these are the two options for valuing off-balance capital instruments? If not, what alternative options would you suggest?	
1.190.	United Utilities Group	Q30	Q30: Do stakeholders agree that these are the two options for valuing off-balance capital instruments? If not, what alternative options would you suggest?	

1.191.	ZVK-Bau	Q30	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes.	Noted, please refer to 1154.
1.192.	OPSG	Q31	<p>The OPSG prefers option 4.80 as:</p> <ol style="list-style-type: none"> 1. It focuses on situations where there is a loss which needs to be managed. 2. It has a cash flow value. 	<p>Thank you for your comment.</p> <p>Comments suggest that option 1 is regarded preferable because of its simplicity and comparability, even though stakeholders recognise that it may lead to artificially high coverage ratios. Option 2 is generally considered to be closer to reality since it takes into account the availability of cash flows when needed. However, it is also more complex.</p>
1.193.	aba Arbeitsgemeinschaft für	Q31	We support the first option due to its simplicity.	Noted, please refer to 1192.

	betriebliche Altersve			
1.194.	ACA	Q31	This should be for Member States and their national competent authorities to determine.	Noted, please refer to 1192.
1.195.	Actuarial Association of Europe	Q31	We would support our alternative option. In our view option 1 would result in a too high value as it could in theory be unlimited. Option 2 adds a condition of underfunding scenarios for the valuation, which probably is closer to the reality in many situations. Our alternative option should be seen as a more general application of option 2 and would look at all conditions that apply, if any. It might well be that there are certain constraints to the off-balance capital instruments. Without knowing what the different conditions are in place it might be that the calling up depends on the level of underfunding, is perhaps not the full difference in order to be fully funded again but less. Calling up could also be possible if not in underfunding but in situations where otherwise a certain minimum indexation could not be granted. So in our view option 2 might be too tight as it is described now and we would support a valuation that very specifically looks at all the conditionalities with regard to calling up off balance capital instruments.	Noted, please refer to 1192.
1.196.	AEIP	Q31	<p>AEIP does not believe that the HBS might serve as an adequate tool for prudential supervision.</p> <p>It should neither be used for capital requirements nor as an information tool towards scheme members. If any concrete use for the HBS should be sought, the HBS could possibly have a limited value as a risk management tool. However, it is still too complex for small and medium sized IORPs, and there are less complex (and more efficient) methods that might be used.</p> <p>AEIP answered all questions of the consultation despite of these doubts, in order to provide our constructive input to the works of EIOPA.</p>	Noted, please refer to 1192.

			<p>It depends on whether the given IORP will run stochastic valuations, such as it is usually done in The Netherlands. In such a case, option 2 would be preferable.</p> <p>For all other cases, Option 1 seems to be more feasible.</p>	
1.197.	AGV Chemie	Q31	We support the first option due to its simplicity.	Noted, please refer to 1192.
1.198.	Aon Hewitt	Q31	In our experience, there is limited use of off-balance sheet capital instruments for IORPs. We can see arguments for using either Option 1 or Option 2. Therefore, rather than be prescriptive, it may be useful to have a principles-based approach; the Option for each IORP to be determined on a case by case basis.	Noted, please refer to 1192.
1.199.	Association of Pension Lawyers	Q31	Neither option appears appropriate due to lack of clarity.	Noted, please refer to 1192.
1.200.	BAPI	Q31	<p>Q31: Which option do you support? Please explain why you support this option.</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in</p>	Noted, please refer to 1192.

			<p>order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>Option 2 is very valuable but is too complex for Belgian IORPs which are small and medium sized. Due to reasons of practicality we prefer option 1.</p>	
1.201.	BASF SE	Q31	We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept we support the first option due to its simplicity.	Noted, please refer to 1192.
1.202.	BDA	Q31	We support the first option due to its simplicity.	Noted, please refer to 1192.
1.203.	Better Finance	Q31	Option 2 seems to fit the need better.	Noted, please refer to 1192.
1.204.	Compass Group PLC	Q31	Q31: Which option do you support? Please explain why you support this option.	
1.205.	D & L Scott	Q31	Option 2 seems to me to be preferable, although my earlier comments regarding probabilistic determination of future uncertainties at Q 4 above seems relevant too.	Noted, please refer to 1192.
1.206.	Eversheds LLP	Q31		
1.207.	Evonik Industries AG	Q31	We support the first option due to its simplicity.	Noted, please refer to 1192.

1.208.	FFSA	Q31	Option 2 in order to avoid that using option 1 would lead to an artificial high coverage ratio.	Noted, please refer to 1192.
1.209.	FSUG	Q31	Option 2 seems to fit the need better.	Noted, please refer to 1192.
1.210.	FVPK	Q31	<p>Which option do you support? Please explain why you support this option.</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>We support Option 1 due to its straight forward application and better comparability.</p>	Noted, please refer to 1192.
1.211.	GDV	Q31	Which option do you support? Please explain why you support this option.	
1.213.	Heathrow Airport Limited	Q31	Q31: Which option do you support? Please explain why you support this option.	
1.214.	Hoechst-Gruppe VVaG	Q31	We support the first option due to its simplicity.	Noted, please refer to 1192.
1.215.	IFoA	Q31	The IFoA has no comment as off-balance sheet capital instruments are	Noted, please refer

			not a feature of current UK IORPs.	to 1192.
1.216.	IVS	Q31	If off-balance capital instruments are callable at any time, and the default risk of the grantor is appropriately taken into account, option 1 appears to be the most reasonable alternative. Option 2 only takes account of the current situation and is therefore not “holistic” in its approach.	
1.217.	Jane Marshall Consulting	Q31	The second is more realistic, but creates more difficulty in calculation.	Noted, please refer to 1192.
1.218.	NAPF	Q31	<p>Q31: Which option do you support? Please explain why you support this option.</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>This should be a matter for Member States.</p>	Noted, please refer to 1192.
1.220.	Otto Group	Q31	We support the first option due to its simplicity.	Noted, please refer to 1192.
1.221.	Pensioenfederatie	Q31	We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.	Noted, please refer to 1192.

			<p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>We support Option 2, because this option has as (in our view correct) starting point that off-balance sheet instruments are in practice primarily used in situations, where IORPs are underfunded. For these situations the cashflows related to such instruments should be checked against their availability at that point in time.</p>	
1.222.	PensionsEurope	Q31	<p>Which option do you support? Please explain why you support this option.</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>PensionsEurope notes that both of these options could be supported, as this would reflect the specificities of different occupational pension systems in the various EU Member States.</p> <p>Option 1 could be supported due to its simplicity.</p>	Noted, please refer to 1192.

			Option 2 could be supported because this option has as (in our view correct) starting point that off-balance sheet instruments are in practice in particular used in situations of underfunding of an IORP, and that for these situations the cashflows related to such instruments should be checked against the availability of such instruments at that point in time. Nevertheless this option seems too complex.	
1.225.	RPTCL	Q31	Off-balance sheet capital instruments are not relevant to our IORPs, so we do not have comments to add on this question.	Noted, please refer to 1192.
1.226.	Siemens Pensionsfonds	Q31	We support the first option due to its simplicity.	Noted, please refer to 1192.
1.227.	Society of Pension Professionals	Q31	<p>Which option do you support? Please explain why you support this option.</p> <p>Ought to reflect that full value available at the valuation date may not be the value available if the off balance sheet asset were actually used.</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising</p>	Noted, please refer to 1192.

			<p>from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>This should be for individual Member States and their national competent authorities to determine.</p>	
1.229.	Towers Watson	Q31	<p>Which option do you support? Please explain why you support this option.</p> <p>This should be for individual Member States and their national competent authorities to determine. However, it ought to reflect the fact that the full value available at the valuation date may not be the value available if the off balance sheet asset were actually used.</p>	Noted, please refer to 1192.
1.230.	United Utilities Group	Q31	Q31: Which option do you support? Please explain why you support this option.	Noted, please refer to 1192.
1.231.	ZVK-Bau	Q31	The first options seems to be be the much easier to calculate one.	Noted, please refer to 1192.
1.232.	OPSG	Q32	The OPSG agrees with the proposal	<p>Thank you for your comment.</p> <p>Most (if not all) agree. EIOPA included the valuation of surplus fund for their nominal value in the technical specifications.</p>
1.233.	aba	Q32	Yes.	Noted, please refer to 1232.

	Arbeitsgemeinschaft für betriebliche Altersve			
1.234.	ACA	Q32	Yes.	Noted, please refer to 1232.
1.235.	Actuarial Association of Europe	Q32	Yes, we agree	Noted, please refer to 1232.
1.236.	AEIP	Q32	<p>AEIP does not believe that the HBS might serve as an adequate tool for prudential supervision.</p> <p>It should neither be used for capital requirements nor as an information tool towards scheme members. If any concrete use for the HBS should be sought, the HBS could possibly have a limited value as a risk management tool. However, it is still too complex for small and medium sized IORPs, and there are less complex (and more efficient) methods that might be used.</p> <p>AEIP answered all questions of the consultation despite of these doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>We agree that surplus funds should be valued for their nominal value.</p>	Noted, please refer to 1232.
1.237.	AGV Chemie	Q32	Yes	Noted, please refer to 1232.
1.238.	Aon Hewitt	Q32	<p>In our experience, the concept of surplus funds is also unusual. Although there are some IORPS which have similar structures to insurance vehicles, the vast majority in the EEA do not. Consequently the use of the phrase "surplus funds" is not widely used. Instead the word "surplus" is used to describe any excess of assets over technical</p>	Noted, please refer to 1232.

			provisions. In this case the value of the surplus is equal to the difference between two other items on the Holistic Balance Sheet.	
1.239.	Association of Pension Lawyers	Q32	Yes.	Noted, please refer to 1232.
1.240.	BAPI	Q32	<p>Q32: Do stakeholders agree that surplus funds should be valued for their nominal value? If not, how would you suggest to value surplus funds?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>We agree.</p>	Noted, please refer to 1232.
1.241.	Barnett Waddingham LLP	Q32	Yes, surplus funds should be included at their nominal value.	Noted, please refer to 1232.
1.242.	BASF SE	Q32	Yes.	Noted, please refer to 1232.

1.243.	BDA	Q32	Yes	Noted, please refer to 1232.
1.244.	Better Finance	Q32	Yes, we agree.	Noted, please refer to 1232.
1.245.	Compass Group PLC	Q32	Q32: Do stakeholders agree that surplus funds should be valued for their nominal value? If not, how would you suggest to value surplus funds?	
1.246.	D & L Scott	Q32	One problem with a snapshot/point-in-time approach towards balance sheet "surpluses" is that their valuation will change and when first known may already be historic. In some of my experiences, the trustees have discounted perceived "surplus" in the light of "post-balance sheet events".	Noted, please refer to 1232.
1.247.	Eversheds LLP	Q32	Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes. Yes.	Noted, please refer to 1232.
1.248.	Evonik Industries AG	Q32	Yes	Noted, please refer to 1232.
1.249.	FFSA	Q32	Yes	Noted, please refer to 1232.
1.250.	FSUG	Q32	Yes, we agree.	Noted, please refer

				to 1232.
1.251.	FVPK	Q32	<p>Do stakeholders agree that surplus funds should be valued for their nominal value? If not, how would you suggest to value surplus funds?</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>We agree.</p>	Noted, please refer to 1232.
1.252.	GDV	Q32	Do stakeholders agree that surplus funds should be valued for their nominal value? If not, how would you suggest to value surplus funds?	Noted, please refer to 1232.
1.254.	Heathrow Airport Limited	Q32	Q32: Do stakeholders agree that surplus funds should be valued for their nominal value? If not, how would you suggest to value surplus funds?	
1.255.	Hoechst-Gruppe VVaG	Q32	Yes.	Noted, please refer to 1232.
1.256.	IFoA	Q32	Yes, we agree that there may be merit in indicating a separate value of surplus funds in a balance sheet at their nominal value.	Noted, please refer to 1232.
1.257.	IVS	Q32	Yes.	Noted, please refer to 1232.
1.258.	Jane Marshall	Q32	Yes.	Noted, please refer

	Consulting			to 1232.
1.259.	NAPF	Q32	<p>Q32: Do stakeholders agree that surplus funds should be valued for their nominal value? If not, how would you suggest to value surplus funds?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>The NAPF agrees that surplus funds should be valued as proposed for Holistic Balance Sheet purposes.</p>	Noted, please refer to 1232.
1.262.	Otto Group	Q32	Yes	Noted, please refer to 1232.
1.263.	Pensioenfederatie	Q32	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in</p>	Noted, please refer to 1232.

			order to provide our constructive input to the works of EIOPA.	
			We agree that surplus funds should be valued at their nominal value.	
1.264.	PensionsEurope	Q32	<p>Do stakeholders agree that surplus funds should be valued for their nominal value? If not, how would you suggest to value surplus funds?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We agree that surplus funds should be valued for their nominal value.</p>	Noted, please refer to 1232.
1.265.	Punter Southall	Q32	Yes	Noted, please refer to 1232.
1.268.	RPTCL	Q32	We agree that any surplus funds should be taken at their nominal value.	Noted, please refer to 1232.
1.269.	Siemens Pensionsfonds	Q32	Yes	Noted, please refer to 1232.
1.270.	Society of Pension Professionals	Q32	<p>Do stakeholders agree that surplus funds should be valued for their nominal value? If not, how would you suggest to value surplus funds?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on</p>	Noted, please refer to 1232.

			<p>the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>Yes.</p>	
1.272.	Towers Watson	Q32	<p>Do stakeholders agree that surplus funds should be valued for their nominal value? If not, how would you suggest to value surplus funds?</p> <p>Yes. We agree.</p>	Noted, please refer to 1232.
1.273.	United Utilities Group	Q32	Q32: Do stakeholders agree that surplus funds should be valued for their nominal value? If not, how would you suggest to value surplus funds?	
1.274.	ZVK-Bau	Q32	Apart from the overall unfitting concept of the HBS for our scheme we agree to value surplus funds with nominal value.	Noted, please refer to 1232.
1.275.	OPSG	Q33	Surplus funds are part of an IORP's own funds and should therefore be accounted for by their nominal value. A discussion about further	Thank you for your comment.

			valuation options is thus not required.	Almost all comments agree that these are the options.
1.276.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q33	Yes.	Noted, please refer to 1275.
1.277.	Actuarial Association of Europe	Q33	Yes, we agree	Noted, please refer to 1275.
1.278.	AEIP	Q33	<p>AEIP does not believe that the HBS might serve as an adequate tool for prudential supervision.</p> <p>It should neither be used for capital requirements nor as an information tool towards scheme members. If any concrete use for the HBS should be sought, the HBS could possibly have a limited value as a risk management tool. However, it is still too complex for small and medium sized IORPs, and there are less complex (and more efficient) methods that might be used.</p> <p>AEIP answered all questions of the consultation despite of these doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>We agree that the Options 1, 2 and 3 are the options for valuing subordinated loans.</p>	Noted, please refer to 1275.
1.279.	Aon Hewitt	Q33	In our experience, the use of subordinated loans is also unusual. We can see arguments for using Option 1, Option 2 or Option 3. Therefore, rather than be prescriptive, it may be useful to have a	Noted, please refer to 1275.

			principles-based approach; the Option for each IORP to be determined on a case by case basis.	
1.280.	Association of Pension Lawyers	Q33	<p>We are unsure how this reference to subordinated loans is of relevance to IORPs bearing in mind Article 18(2) of the IORP Directive which provides that:</p> <p>“The home Member State shall prohibit the institution from borrowing or acting as a guarantor on behalf of third parties. However, Member States may authorise institutions to carry out some borrowing only for liquidity purposes and on a temporary basis.”</p>	Noted, please refer to 1275.
1.281.	BAPI	Q33	<p>Q33: Do stakeholders agree that these are the three options for valuing subordinated loans? If not, what alternative options would you suggest?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI’s view, BAPI answers EIOPA’s questions in order to provide constructive input for EIOPA’s further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>We agree.</p>	Noted, please refer to 1275.

1.282.	Better Finance	Q33	Yes, we agree.	Noted, please refer to 1275.
1.283.	British Telecommunications plc	Q33		
1.284.	Compass Group PLC	Q33	Q33: Do stakeholders agree that these are the three options for valuing subordinated loans? If not, what alternative options would you suggest?	
1.285.	D & L Scott	Q33	The use of “full stochastic calculations” is another example of the flawed thinking on risks and uncertainties referred to earlier at Q4. I can only agree with two of your options on that basis.	Noted, please refer to 1275.
1.286.	Eversheds LLP	Q33		
1.287.	FFSA	Q33	Yes	Noted, please refer to 1275.
1.288.	FSUG	Q33	Yes, we agree.	Noted, please refer to 1275.
1.289.	FVPK	Q33	<p>Do stakeholders agree that these are the three options for valuing subordinated loans? If not, what alternative options would you suggest?</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p>	Noted, please refer to 1275.

			We agree.	
1.290.	GDV	Q33	Do stakeholders agree that these are the three options for valuing subordinated loans? If not, what alternative options would you suggest?	
1.292.	Heathrow Airport Limited	Q33	Q33: Do stakeholders agree that these are the three options for valuing subordinated loans? If not, what alternative options would you suggest?	
1.293.	Hoechst-Gruppe VVaG	Q33	Yes.	Noted, please refer to 1275.
1.294.	IFoA	Q33	The IFoA has no comment as subordinated loans are not a feature of current UK IORPs.	Noted, please refer to 1275.
1.295.	IVS	Q33	Yes.	Noted, please refer to 1275.
1.296.	NAPF	Q33	<p>Q33: Do stakeholders agree that these are the three options for valuing subordinated loans? If not, what alternative options would you suggest?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p>	Noted, please refer to 1275.

			No answer	
1.298.	Pensioenfederatie	Q33	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>We agree that the Options 1, 2 and 3 are the options for valuing subordinated loans.</p>	Noted, please refer to 1275.
1.299.	PensionsEurope	Q33	<p>Do stakeholders agree that these are the three options for valuing subordinated loans? If not, what alternative options would you suggest?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European</p>	Noted, please refer to 1275.

			<p>level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We agree that the Options 1, 2 and 3 are the options for valuing subordinated loans.</p>	
1.302.	RPTCL	Q33	Subordinated loans are not relevant to our IORPs, so we do not have comments to add on this question.	Noted, please refer to 1275.
1.303.	Society of Pension Professionals	Q33	Do stakeholders agree that these are the three options for valuing subordinated loans? If not, what alternative options would you suggest?	
1.305.	Towers Watson	Q33	<p>Do stakeholders agree that these are the three options for valuing subordinated loans? If not, what alternative options would you suggest?</p> <p>We agree that these options are reasonable, although we wonder how common subordinated loans now are?</p>	Noted, please refer to 1275.
1.306.	United Utilities Group	Q33	Q33: Do stakeholders agree that these are the three options for valuing subordinated loans? If not, what alternative options would you suggest?	
1.307.	ZVK-Bau	Q33	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes.	Noted, please refer to 1275.
1.308.	OPSG	Q34	Option 3 is the preferred option as it is realistic and allows for changes in the funded position.	<p>Thank your for your comment.</p> <p>Option 1 is seen by some comments as</p>

				<p>the most workable approach due to its simplicity. However, it is also noted that it may underestimate the value of the loan. Some find option 1 unrealistic.</p> <p>Option 2 is mentioned as a theoretically better approach as it permits taking account of different scenarios. However, it is also considered more complex and extensive.</p> <p>Option 3 is seen by several respondents as the most appropriate. It is seen as likely to form the most consistent and realistic value for subordinated loans. Comments also mention flexibility and practicality.</p>
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1.309.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q34	Option 1 appears favourable due to its simplicity, but it potentially underestimates the real value of the loan for the IORP. However, option 2 seems the theoretically best approach, but is too extensive and potentially leads to unreliable results.	Noted, please refer to 1308.
1.310.	ACA	Q34	This should be for Member States and their national competent authorities to determine.	Noted, please refer to 1308.
1.311.	Actuarial Association of Europe	Q34	Option 3 would have our preference as subordinated loan repayment has a direct impact on the solvency coverage and should be subject to supervisory approval. Valuing stochastically the repayment of subordinated loan is actually a management action as part of the capital management and falls under pillar 2.	Noted, please refer to 1308.
1.312.	AEIP	Q34	<p>AEIP does not believe that the HBS might serve as an adequate tool for prudential supervision.</p> <p>It should neither be used for capital requirements nor as an information tool towards scheme members. If any concrete use for the HBS should be sought, the HBS could possibly have a limited value as a risk management tool. However, it is still too complex for small and medium sized IORPs, and there are less complex (and more efficient) methods that might be used.</p> <p>AEIP answered all questions of the consultation despite of these doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>Options 1 seems to be the preferable option, due to its simplicity.</p>	Noted, please refer to 1308.

			However, Option 3 should be kept as well, because this option has as starting point that subordinated loans are in practice typically repaid when they are (due to the funding position of the IORP) not needed anymore to cover the liabilities and capital requirements of this IORP.	
1.313.	Aon Hewitt	Q34	In our experience, the use of subordinated loans is also unusual. We can see arguments for using Option 1, Option 2 or Option 3. Therefore, rather than be prescriptive, it may be useful to have a principles-based approach; the Option for each IORP to be determined on a case by case basis.	Noted, please refer to 1308.
1.314.	BAPI	Q34	<p>Q34: Which option do you support? Please explain why you support this option.</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>Option 2 is very valuable but is too complex for Belgian IORPs which</p>	Noted, please refer to 1308.

			are small and medium sized. Due to reasons of flexibility and practicality we prefer option 3.	
1.315.	BASF SE	Q34	We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept we support Option 1 due to its simplicity.	Noted, please refer to 1308.
1.316.	Better Finance	Q34	Option 3 is preferred.	Noted, please refer to 1308.
1.317.	Compass Group PLC	Q34	Q34: Which option do you support? Please explain why you support this option.	
1.318.	D & L Scott	Q34	I prefer Option 3 as part of a "complete financial management plan" referred to earlier at Q29.	Noted, please refer to 1308.
1.319.	Eversheds LLP	Q34		
1.320.	FFSA	Q34	Option 3. Supervisory approval will ensure a uniform application and avoid undue unlevel playing field.	Noted, please refer to 1308.
1.321.	FSUG	Q34	Option 3 is preferred.	Noted, please refer to 1308.
1.322.	FVPK	Q34	Which option do you support? Please explain why you support this option. FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not	Noted, please refer to 1308.

			place excessive burdens on occupational pension schemes in Austria. We support option 1 as this is the most workable solution.	
1.323.	GDV	Q34	Which option do you support? Please explain why you support this option.	
1.325.	Heathrow Airport Limited	Q34	Q34: Which option do you support? Please explain why you support this option.	
1.326.	Hoechst-Gruppe VVaG	Q34	Option 1 appears favourable due to its simplicity, but it potentially underestimates the real value of the loan for the IORP. However, option 2 seems the theoretically best approach, but is too extensive and potentially leads to unreliable results.	Noted, please refer to 1308.
1.327.	IFoA	Q34	The IFoA has no comment as subordinated loans are not a feature of current UK IORPs.	Noted, please refer to 1308.
1.328.	IVS	Q34	Option 1 appears to be unrealistic to us. Option 2 is appropriate to determine a best estimate of prospective payments from subordinated loans, since the stochastic methodology permits taking account of different scenarios. Option 3 is most appropriate, since it permits both the judgment of the IORP as well as that of the lender to be appropriately taken into account whilst the national competent authorities can ensure appropriate application.	Noted, please refer to 1308.
1.329.	NAPF	Q34	Q34: Which option do you support? Please explain why you support	Noted, please refer to 1308.

			<p>this option.</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>This should be a matter for Member States.</p>	
1.331.	Pensioenfederatie	Q34	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>We support Option 3. This option has as (in our view correct) starting point that subordinated loans are in practice typically repaid, if they are (due to the funding position of the IORP) not needed anymore to cover liabilities and capital requirements of the IORP.</p>	Noted, please refer to 1308.
1.332.	PensionsEurope	Q34	<p>Which option do you support? Please explain why you support this option.</p>	Noted, please refer to 1308.

			<p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>PensionsEurope notes that both of these options could be supported, as this would reflect the specificities of different occupational pension systems in the various EU Member States.</p> <p>Option 1 could be supported due to its simplicity.</p> <p>Option 2 could be seen as a theoretically good approach although it looks too extensive and therefore potentially leading to unreliable results.</p> <p>Finally option 3 could be supported because this option has as (in our view correct) starting point that subordinated loans are in practice typically repaid when they are (due to the funding position of the IORP) not needed anymore to cover the liabilities and capital requirements of this IORP.</p>	
1.335.	RPTCL	Q34	Subordinated loans are not relevant to our IORPs, so we do not have	Noted, please refer

			comments to add on this question.	to 1308.
1.336.	Society of Pension Professionals	Q34	<p>Which option do you support? Please explain why you support this option.</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>This should be for individual Member States and their national competent authorities to determine.</p>	Noted, please refer to 1308.
1.337.	Towers Watson	Q34	<p>Which option do you support? Please explain why you support this option.</p> <p>We support option 3 as this is likely to form the most consistent and realistic value for the subordinated loans.</p>	Noted, please refer to 1308.
1.338.	United Utilities Group	Q34	Q34: Which option do you support? Please explain why you support	

			this option.	
1.339.	ZVK-Bau	Q34	Options 1 seems to be the preferable option, due to its simplicity.	Noted, please refer to 1308.
1.340.	OPSG	Q35	<p>The balancing item approach would seem to be the most practical approach to adopt for ex-post reductions and reductions in case of sponsor default. The extent of the reduction required to make the HBS balance, having taken all other mechanisms into account, should be determined and compared with the maximum amount permitted, if any limit exists. This information would enable the IORP or supervisor to form a view on what steps to take.</p> <p>For ex-ante reduction mechanisms where the extent of the reduction can be determined precisely depending on the circumstances, a direct approach may be more appropriate, although it would still be desirable to identify separately the impact on the HBS of the reductions anticipated.</p> <p>Careful consideration should be given in both cases as to how the information should be communicated to members and beneficiaries</p>	<p>Noted</p> <p>Noted</p> <p>Point noted, but outside remit of consultation</p>
1.341.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q35	We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept the answer is "Yes, but". We underline that all kinds of benefit reduction mechanisms should be treated as a last resort item at any time. We agree with the conclusion that if a benefit reduction mechanism is available and not limited it generates the ultimate mechanism for the IORP's sustainability and should be valued as balancing item.	View noted

			<p>But we do not see any dichotomy of a direct approach and the balancing item approach and would not restrict the recognition of a benefit reduction mechanism to cases of unlimited reductions. Applying one or the other approach should be determined by the kind of benefit reduction available. We suggest to use a kind of direct approach that differs from the one provided within the consultation in cases of a “restricted” benefit reduction mechanism. If agreements/bylaws or national law and other regulations allow for a benefit reduction but restrict that to a certain amount this mechanism should be recognized directly up to its legal or regulatory limits. There should be no use of probability or predictability based on past policies within this approach.</p>	Noted
			<p>In case of an unlimited benefit reduction mechanism the balancing item approach should kick in.</p>	Noted
			<p>Additionally we do not agree with the approach of valuing all other items of a holistic balance sheet first before recognizing any benefit reduction mechanisms as mentioned in 4.91 last sentence.</p>	Noted
			<p>It is an unnecessary and costly exercise to value all mechanisms and “assets” that qualify as balancing items on the holistic balance sheets if IORPs dispose of more than one. In Germany for example all IORPs dispose of two items, but not necessarily the same. Pensionsfonds and some form of Pensionskassen combine legally enforceable sponsor support with a pension protection scheme, another form of Pensionskassen combines legally enforceable sponsor support with an ex ante benefit reduction mechanism. Bringing the possible balancing</p>	Noted

			<p>items in line on a high level could work as follows:</p> <ol style="list-style-type: none"> 1. Use legally enforceable sponsor support qualified to be recognized as balancing item. 2. If enforceable sponsor support is not sufficient, a pension protection scheme should be used. 3. Use benefit reduction mechanisms as balancing item. <p>Within the HBS it should be possible either to work through this list top down or to skip one or the other possible balancing item without valuing it thoroughly. By using the step-by-step approach the first mechanism qualified as balancing item should end the valuation process. Example: legally enforceable sponsor support is qualified as balancing item. End of valuation, even if there are a pension protection scheme and benefit reduction mechanisms available.</p> <p>As provided in our answers concerning sponsor support and pension protection schemes the consultation paper and therefore the whole HBS concept lacks convincing and workable answers concerning these two items of the HBS. This hampers the valuation process: either the valuation will be a very costly process or will be impossible to implement respectively will end in unconvincing results. To force IORPs to run through the whole valuation process although with a benefit reduction mechanism they provide an enforceable and easy to calculate balancing item cannot be in the interest of members and beneficiaries but has to be regarded as "l'art pour l'art".</p>	<p>Noted</p> <p>View noted</p>
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			Another idea to deal with multiple balancing items could be: As soon as more than one of the three potential items (sponsor support, pension protection scheme or benefit reduction mechanisms) are recognized as balancing item, they could be combined into one value. This would increase uniformity and comparability across IORPs.	Noted
1.342.	ACA	Q35	Yes.	Noted
1.343.	Actuarial Association of Europe	Q35	Yes, we agree. Which approach to adopt might depend on the benefit reduction mechanism. An ex-ante benefit reduction mechanism is not necessarily a mechanisms of last resort as is referred to under 4.91. Generally we would expect ex-ante benefit reduction mechanisms to be valued via the direct approach. Similarly for a benefit reduction in the event of sponsor default/sponsor insolvency. These benefit reductions are normally limited. So the valuation via the direct approach would seem appropriate. Only those cases where the benefit reduction could be unrestricted in amount qualify for the use of the balancing item approach in our view.	Noted Noted
1.344.	AEIP	Q35	AEIP does not believe that the HBS might serve as an adequate tool for prudential supervision. It should neither be used for capital requirements nor as an information tool towards scheme members. If any concrete use for the HBS should be sought, the HBS could possibly have a limited value as a risk management tool. However, it is still too complex for small and medium sized IORPs, and there are less complex (and more efficient) methods that might be used. AEIP answered all questions of the consultation despite of these	View noted

			<p>doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>Yes.</p> <p>In a holistic balance sheet that includes other options, we prefer the direct approach. Using the balancing item approach in a HBS that includes other conditionalities will result in mispricing of these other options, since the underlying projections will not be correct as benefit reductions that should be included in the underlying cash flows are left out.</p> <p>If using a simplified method such as the balancing item approach, one should use a simplified method for valuing all the other options as well to prevent mispricing from occurring. See also our answer to Q.72 for further thoughts on the HBS in general and the inclusion of the SCR specifically.</p> <p>All kinds of benefit reduction mechanisms should be treated as a last resort item at any time. This is especially true for the benefit reduction mechanism if unlimited: this mechanism guarantees the IORP's sustainability and should always be valued as balancing item.</p> <p>We would not restrict the recognition of a benefit reduction mechanism to cases of unlimited reductions. Applying a direct or a balancing item approach should be determined by the kind of benefit reduction available. If contract/bylaws or national law and other regulations allow for a benefit reduction but restrict that to a certain amount this mechanism should be recognized directly up to its legal or regulatory limits. There is no need to use probability calculations or past policies.</p>	<p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Partially disagree – not all benefit reduction mechanisms are last resort.</p> <p>Noted</p>
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			<p>Unlimited benefit reduction mechanism should be the ultimate balancing item within the HBS.</p> <p>We find it artificial and do not agree with the approach of valuing all other items of a holistic balance sheet before recognizing existing benefit reduction mechanisms because this is an unnecessary and costly exercise.</p> <p>Within the HBS it should be possible to select one or the other possible balancing item without valuing others that might be available too. The first – and easiest accessible resp. “measurable” mechanism qualified as balancing item should end the valuation process. Example: legally enforceable sponsor support is qualified as balancing item as well as legally enforceable and unlimited ex-ante benefit reduction mechanism. The institution chooses to demonstrate that the benefit reduction mechanism works as balancing item. HBS should then be complete without valuing the sponsor support available.</p>	<p>Noted</p> <p>Noted</p> <p>Noted</p>
1.345.	AGV Chemie	Q35	<p>We underline that all kinds of benefit reduction mechanisms should be treated as a last resort item at any time. We agree with the conclusion that if a benefit reduction mechanism is available and not limited, it generates the ultimate mechanism for the IORP’s sustainability and should be valued as balancing item.</p> <p>But we do not see any dichotomy between a direct approach and the balancing item approach and would not restrict the recognition of a benefit reduction mechanism to cases of unlimited reductions. Applying one or the other approach should be determined by the kind of benefit reduction available. We suggest to use a kind of direct approach that differs from the one provided within the consultation in</p>	<p>Partially disagree – an ex-ante benefit reduction mechanism is not necessarily a last resort mechanism.</p> <p>Noted</p>

			<p>cases of a “restricted” benefit reduction mechanism. If contract/bylaws or national law and other regulations allow for a benefit reduction but restrict that to a certain amount, this mechanism should be recognised directly up to its legal or regulatory limits. There should be no use of probability or predictability based on past policies within this approach. In case of an unlimited benefit reduction mechanism the balancing item approach should kick in.</p> <p>Additionally, we do not agree with the approach of valuing all other items of a HBS first before recognising any benefit reduction mechanisms as mentioned in 4.91 last sentence. It is an unnecessary and costly exercise to value all mechanisms and “assets” that qualify, as balancing items on the HBSs if IORPs dispose of more than one. In Germany for example all IORPs dispose of two items, but not necessarily the same. Pension funds in form of “Pensionsfonds” and some form of “Pensionskassen” combine legally enforceable sponsor support with a pension protection scheme, another form of Pensionskassen combines legally enforceable sponsor support with an ex-ante benefit reduction mechanism.</p>	Noted
1.346.	Aon Hewitt	Q35	<p>We can see merits with the Direct Approach. The Balancing Item Approach might end up with a calculated value of benefit reductions far in excess of what might happen in practice (for example, additional sponsor support might become available, eg from a parent company). If the Holistic Balance Sheet does not balance then this shows there is a potential lack of resources available to fund existing technical provisions – however this may not always be the case, eg if financial assets achieve better than expected investment returns. Simply reducing expected benefits to make the balance sheet balance does not seem like the right answer.</p>	Noted

1.347.	Association of Pension Lawyers	Q35	<p>1. This is another example of where it is difficult to provide a meaningful response without knowing the purpose for which the HBS will be used.</p> <p>2. It does however appear that the more natural way of dealing with benefit reduction mechanisms is for them to be a balancing item rather than having to be given their own value.</p>	<p>View noted</p> <p>Noted</p>
1.348.	BAPI	Q35	<p>Q35: Do stakeholders agree with these two approaches to valuing benefit reduction mechanisms? If not, what alternatives or amendments would you suggest?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>Yes, but we fear the order to determine which item is approached as balancing item might depend on the national legislation. Furthermore ex-ante benefit reductions might require a different approach as ex-post benefit reductions or benefit reductions in case of sponsor</p>	<p>View noted</p> <p>Noted</p>

			default. More guidance regarding this ranking is needed.	
1.349.	BASF SE	Q35	<p>We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept the answer is Yes. In Germany the regulated Pensionskassen always have an ex-ante benefit reduction mechanism in place. A BE projection of expected benefit reductions would be difficult to perform and would give no further insight. Due to the unlimited possibility of reduction after usage of all other mechanisms to strengthen the promise, benefit reductions should be usable as a balancing item which closes the HBS.</p> <p>However, we do not agree with the approach of valuing all other items of a holistic balance sheet first before recognizing any benefit reduction mechanisms. If there are several mechanisms as balancing items in place it should be possible to skip some instead of performing burdensome calculations or to show them as a “combined” balancing item.</p>	<p>View noted</p> <p>Noted</p>
1.350.	BDA	Q35	<p>We underline that all kinds of benefit reduction mechanisms should be treated as a last resort item at any time. We agree with the conclusion that if a benefit reduction mechanism is available and not limited, it generates the ultimate mechanism for the IORP’s sustainability and should be valued as balancing item.</p> <p>But we do not see any dichotomy between a direct approach and the balancing item approach and would not restrict the recognition of a benefit reduction mechanism to cases of unlimited reductions. Applying one or the other approach should be determined by the kind of benefit reduction available. We suggest to use a kind of direct approach that differs from the one provided within the consultation in</p>	<p>Partially disagree – an ex-ante benefit reduction mechanism is not necessarily a last resort mechanism.</p> <p>Noted</p>

			<p>cases of a “restricted” benefit reduction mechanism. If contract/bylaws or national law and other regulations allow for a benefit reduction but restrict that to a certain amount, this mechanism should be recognised directly up to its legal or regulatory limits. There should be no use of probability or predictability based on past policies within this approach. In case of an unlimited benefit reduction mechanism the balancing item approach should kick in.</p> <p>Additionally, we do not agree with the approach of valuing all other items of a HBS first before recognising any benefit reduction mechanisms as mentioned in 4.91 last sentence. It is an unnecessary and costly exercise to value all mechanisms and “assets” that qualify, as balancing items on the HBSs if IORPs dispose of more than one. In Germany for example all IORPs dispose of two items, but not necessarily the same. Pension funds in form of “Pensionsfonds” and some form of “Pensionskassen” combine legally enforceable sponsor support with a pension protection scheme, another form of Pensionskassen combines legally enforceable sponsor support with an ex-ante benefit reduction mechanism.</p>	Noted
1.351.	Better Finance	Q35	We agree with these two options of benefit reduction mechanism valuation.	Noted
1.352.	Compass Group PLC	Q35	Q35: Do stakeholders agree with these two approaches to valuing benefit reduction mechanisms? If not, what alternatives or amendments would you suggest?	
1.353.	D & L Scott	Q35	Benefit reduction mechanisms are quite common in the United Kingdom, so I would suggest EIOPA’s analysis underestimates the significance of these options. One of the schemes for which I act as a	View noted

			<p>trustee has reduced future accrual rates from n/40ths to 1.5% pa ; capped pensionable pay increases at levels below inflation ; used profit-related pay and other national insurance saving schemes to reduce pensionable pay accrual rates ; introduced longevity risk sharing for active members, whose prospective benefits are marginally reduced for improvements in expected longevity as measured by Member State official national statistics ; changed the basis of Member State contracting out of certain second-pillar state benefits to re-introduce "contracting in"; and closed to new members. The overall effect has been to reduce technical provisions by over 20% and solvency funding requirements by an even higher proportion.</p> <p>We have also seen examples of ex-post benefit reduction through changes in the United Kingdom official index for inflation-proofing, from the generally higher RPI to the generally lower CPI. These indices are used to revalue deferred benefits within the United Kingdom legislative framework.</p> <p>In my experience, trustees find it much easier to understand the impact of such benefit reduction mechanisms when valued relative to liabilities, whether on an ongoing basis of technical provisions or on a winding up basis of so-called "solvency".</p>	
1.354.	EAPSPI	Q35	<p>In spite of its serious concerns against a possible introduction of a HBS-structure for IORPs, we want to stress that all types of available benefit reduction mechanisms (limited / unlimited, ex ante/ex post) should be recognized within the HBS. In case of an unlimited benefit reduction mechanism this should in general be treated as a balancing item as it generates the mechanism of last resort for the sustainability of IORPs.</p>	Noted

			If more than one balancing item exists (sponsor support, pension protection scheme and benefit reduction) we are of the opinion that no separate valuation is necessary as the effort isn't worth the additional information (given the complexities for valuing sponsor support for MES in the public sector). Thus we do not agree with the approach suggested by EIOPA of valuing all other items of a holistic balance sheet first before recognizing any benefit reduction mechanisms as mentioned in 4.91.	Noted
1.355.	Eversheds LLP	Q35	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We do not think that benefit reduction mechanisms should be recognised on the holistic balance sheet on the basis that, in our view, the purpose of a prudential funding and regulatory regime is to avoid such mechanisms having to be used.</p> <p>Recognising benefit reduction mechanisms on the holistic balance sheet implies that IORPs are expected to use such mechanisms. It may also mean that the solvency position of an IORP is overstated in the holistic balance sheet which may in turn, perversely, make it more likely that such mechanisms will need to be used.</p>	<p>View noted</p> <p>View noted</p> <p>View noted</p>
1.356.	Evonik Industries AG	Q35	We underline that all kinds of benefit reduction mechanisms should be treated as a last resort item at any time. We agree with the conclusion that if a benefit reduction mechanism is available and not limited, it	Partially disagree – an ex-ante benefit reduction

			<p>generates the ultimate mechanism for the IORP's sustainability and should be valued as balancing item.</p> <p>But we do not see any dichotomy between a direct approach and the balancing item approach and would not restrict the recognition of a benefit reduction mechanism to cases of unlimited reductions. Applying one or the other approach should be determined by the kind of benefit reduction available. We suggest to use a kind of direct approach that differs from the one provided within the consultation in cases of a "restricted" benefit reduction mechanism. If contract/bylaws or national law and other regulations allow for a benefit reduction but restrict that to a certain amount, this mechanism should be recognised directly up to its legal or regulatory limits. There should be no use of probability or predictability based on past policies within this approach. In case of an unlimited benefit reduction mechanism the balancing item approach should kick in.</p> <p>Additionally, we do not agree with the approach of valuing all other items of a HBS first before recognising any benefit reduction mechanisms as mentioned in 4.91 last sentence. It is an unnecessary and costly exercise to value all mechanisms and "assets" that qualify, as balancing items on the HBSs if IORPs dispose of more than one. In Germany for example all IORPs dispose of two items, but not necessarily the same. Pension funds in form of "Pensionsfonds" and some form of "Pensionskassen" combine legally enforceable sponsor support with a pension protection scheme, another form of Pensionskassen combines legally enforceable sponsor support with an ex-ante benefit reduction mechanism.</p>	<p>mechanism is not necessarily a last resort mechanism.</p> <p>Noted</p> <p>Noted</p>
1.357.	FFSA	Q35	No. Benefit reduction mechanisms should be considered as assets.	Noted

1.358.	FSUG	Q35	We agree with these two options of benefit reduction mechanism valuation.	Noted
1.359.	FVPK	Q35	<p>Do stakeholders agree with these two approaches to valuing benefit reduction mechanisms? If not, what alternatives or amendments would you suggest?</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>As there is an unlimited benefit reduction mechanism in Austria we agree with the conclusion that it generates the ultimate mechanism for the IORP's sustainability and should be valued as balancing item. We think that the "direct approach" is not practicable and necessary.</p>	<p>View noted</p> <p>Noted</p>
1.360.	GDV	Q35	<p>Do stakeholders agree with these two approaches to valuing benefit reduction mechanisms? If not, what alternatives or amendments would you suggest?</p> <p>It is unclear which ex-ante benefit reduction mechanisms are taken into account. The assessment of benefit reduction mechanisms is dependent on the fact, whether members and beneficiaries lose their entitlements (e.g. if the employer remains liable for the payment of reduced benefits). If members and beneficiaries do not lose their entitlements, then these benefit reductions should not reduce the technical provisions. If the sponsoring undertaking bears the risk and,</p>	Noted

			therefore, guarantees the benefits to members and beneficiaries if an IORP has reduced the benefits, then this adjustment mechanism should be treated as an asset in the HBS. Finally, as correctly stated by EIOPA, the holistic balance sheet can be balanced only “once”, and in case there are different mechanisms available which may in principle act as a balancing item, only the ultimate balancing item can be valued using the balancing item approach. All other elements would then have to be valued in accordance with regular valuation methods.	
1.362.	Heathrow Airport Limited	Q35	Q35: Do stakeholders agree with these two approaches to valuing benefit reduction mechanisms? If not, what alternatives or amendments would you suggest?	
1.363.	Hoechst-Gruppe VVaG	Q35	<p>We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept the answer is “Yes, but”. We underline that all kinds of benefit reduction mechanisms should be treated as a last resort item at any time. We agree with the conclusion that if a benefit reduction mechanism is available and not limited it generates the ultimate mechanism for the IORP’s sustainability and should be valued as balancing item.</p> <p>But we do not see any dichotomy of a direct approach and the balancing item approach and would not restrict the recognition of a benefit reduction mechanism to cases of unlimited reductions. Applying one or the other approach should be determined by the kind of benefit reduction available. We suggest to use a kind of direct approach that differs from the one provided within the consultation in cases of a “restricted” benefit reduction mechanism. If agreements/bylaws or national law and other regulations allow for a benefit reduction but restrict that to a certain amount this mechanism</p>	<p>View noted.</p> <p>Partially disagree – not all benefit reduction mechanisms are last resort.</p> <p>Noted</p>

			<p>should be recognized directly up to its legal or regulatory limits. There should be no use of probability or predictability based on past policies within this approach.</p> <p>In case of an unlimited benefit reduction mechanism the balancing item approach should kick in.</p> <p>Additionally we do not agree with the approach of valuing all other items of a holistic balance sheet first before recognizing any benefit reduction mechanisms as mentioned in 4.91 last sentence.</p> <p>It is an unnecessary and costly exercise to value all mechanisms and “assets” that qualify as balancing items on the holistic balance sheets if IORPs dispose of more than one. In Germany for example all IORPs dispose of two items, but not necessarily the same. Pensionsfonds and some form of Pensionskassen combine legally enforceable sponsor support with a pension protection scheme, another form of Pensionskassen combines legally enforceable sponsor support with an ex ante benefit reduction mechanism. Bringing the possible balancing items in line on a high level could work as follows:</p> <ol style="list-style-type: none"> 1. Use legally enforceable sponsor support qualified to be recognized as balancing item. 2. If enforceable sponsor support is not sufficient, a pension protection scheme should be used. 	<p>Noted</p> <p>Noted</p> <p>Noted</p>
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			<p>3. Use benefit reduction mechanisms as balancing item.</p> <p>Within the HBS it should be possible either to work through this list top down or to skip one or the other possible balancing item without valuing it thoroughly. By using the step-by-step approach the first mechanism qualified as balancing item should end the valuation process. Example: legally enforceable sponsor support is qualified as balancing item. End of valuation, even if there are a pension protection scheme and benefit reduction mechanisms available.</p> <p>As provided in our answers concerning sponsor support and pension protection schemes the consultation paper and therefore the whole HBS concept lacks convincing and workable answers concerning these two items of the HBS. This hampers the valuation process: either the valuation will be a very costly process or will be impossible to implement respectively will end in unconvincing results. To force IORPs to run through the whole valuation process although with a benefit reduction mechanism they provide an enforceable and easy to calculate balancing item cannot be in the interest of members and beneficiaries but has to be regarded as "l'art pour l'art".</p> <p>Another idea to deal with multiple balancing items could be: As soon as more than one of the three potential items (sponsor support, pension protection scheme or benefit reduction mechanisms) are recognized as balancing item, they could be combined into one value. This would increase uniformity and comparability across IORPs.</p>	<p>Noted</p> <p>View noted</p> <p>Noted</p>
1.364.	IFoA	Q35	We do not agree with the comment in 4.91 that benefit reductions are	Noted

			<p>necessarily the last mechanisms taken into account: this may be a feature of current benefit designs, but we would consider it unfortunate if future innovation were limited in this respect by a regulatory regime that made this assumption.</p> <p>The approach to valuing a benefit reduction mechanism ought to depend on the nature of it. We agree that for ex-ante reduction mechanisms, where the extent of the reduction can be determined precisely depending on the circumstances, a direct approach may be more appropriate. However, we believe it would be more practical to adopt a balancing item approach for ex-post reductions and reductions, in case of sponsor default. If this were the case, there would need to be a qualitative comment on the likelihood of such reductions.</p>	Noted
1.365.	IVS	Q35	Yes. We believe that the “balancing item” approach is preferable, because existing benefit reduction mechanisms can be used to balance the HBS/HPF. See our General Comments for an explanation of “HBS/HPF”.	Noted
1.366.	Jane Marshall Consulting	Q35	UK law does not generally allow for benefit reduction mechanisms. Compliance with the proposed holistic balance sheet will be more onerous for UK schemes than in other member states where these adjustments are permitted.	Noted
1.367.	NAPF	Q35	Q35: Do stakeholders agree with these two approaches to valuing benefit reduction mechanisms? If not, what alternatives or amendments would you suggest?	

			<p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>The 'balancing item' approach is only relevant where benefit reductions are unlimited, so this is not relevant to the UK under the current proposals.</p> <p>However, the UK's Pension Protection Fund system does allow benefit reductions, subject to certain constraints. For most scheme members the PPF pays compensation of 90 per cent of the benefits that would have been received from the scheme, although the existence of a compensation cap means that the percentage compensation is lower for high earners. (The compensation cap is £36,401 in 2014-15.)</p> <p>The 'direct approach' would be appropriate for taking account of PPF benefit reductions.</p>	<p>View noted</p> <p>Noted</p>
1.369.	Otto Group	Q35	<p>We underline that all kinds of benefit reduction mechanisms should be treated as a last resort item at any time. We agree with the conclusion that if a benefit reduction mechanism is available and not limited, it generates the ultimate mechanism for the IORP's sustainability and should be valued as balancing item.</p> <p>But we do not see any dichotomy between a direct approach and the</p>	Partially disagree – an ex-ante benefit reduction mechanism is not necessarily a last resort mechanism.

			<p>balancing item approach and would not restrict the recognition of a benefit reduction mechanism to cases of unlimited reductions. Applying one or the other approach should be determined by the kind of benefit reduction available. We suggest to use a kind of direct approach that differs from the one provided within the consultation in cases of a “restricted” benefit reduction mechanism. If contract/bylaws or national law and other regulations allow for a benefit reduction but restrict that to a certain amount, this mechanism should be recognised directly up to its legal or regulatory limits. There should be no use of probability or predictability based on past policies within this approach. In case of an unlimited benefit reduction mechanism the balancing item approach should kick in.</p> <p>Additionally, we do not agree with the approach of valuing all other items of a HBS first before recognising any benefit reduction mechanisms as mentioned in 4.91 last sentence. It is an unnecessary and costly exercise to value all mechanisms and “assets” that qualify, as balancing items on the HBSs if IORPs dispose of more than one. In Germany for example all IORPs dispose of two items, but not necessarily the same. Pension funds in form of “Pensionsfonds” and some form of “Pensionskassen” combine legally enforceable sponsor support with a pension protection scheme, another form of Pensionskassen combines legally enforceable sponsor support with an ex-ante benefit reduction mechanism.</p>	<p>Noted</p> <p>Noted</p>
1.370.	Pensioenfederatie	Q35	<p>As argued in the general remarks, the use of the HBS for capital requirements is conceptually wrong for several fundamental reasons. Firstly, requiring capital for conditional benefits will make them unconditional in practice as extra capital increases their value. This is a clear disincentive to take risk or to offer conditional benefits, especially for relatively rich funds. Secondly, an SCR has no place on</p>	View noted

			<p>the HBS as all benefits and financing methods are included in the HBS. Consequently, for a complete contract the HBS automatically balances, and a SCR would always imply a deficit on the EIOPA Balance Sheet ($EBS = HBS + \text{net SCR}$). Thirdly, as all recovery mechanisms have to be included in order to be able to calculate the HBS, any supervisory response cannot improve the HBS; there is no further recovery possible as the recovery plan is already included in the HBS. Apart from these fundamental problems the HBS is far too complex and subjective to be able to develop into a cost efficient and informative supervisory tool.</p> <p>As argued in the general remarks, the HBS might potentially add value as an instrument for risk management, but other and less costly methods (real world as opposed to risk-neutral simulations) would better achieve this goal. Simplifying methods to calculate the HBS or omitting certain elements on the HBS result in combinations of market-consistent and simplified prices. This however prevents achieving the HBS's objective.</p> <p>As argued in the general remarks, the HBS is not suited as an instrument for transparency in the relationship with participants as the current estimated market price of an option is not informative for them. The option cannot be traded, its price is highly volatile, and its value gives no clear information on the likelihood or size of, for instance, indexation, as option values are determined in the risk-neutral world whereas participants are only interested in the real world as they live in this world.</p> <p>In an HBS that includes other options, we prefer the direct approach. Using the balancing item approach in a HBS including other conditionalities will result in mispricing of these other options. As a consequence, the underlying projections will not be correct as benefit reductions for inclusion in the underlying cash flows.</p>	
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			If using a simplified method such as the balancing item approach, one should also use a simplified method for valuing all the other options in order to prevent mispricing. See also our answer to Q.72 for further thoughts on the HBS in general and the inclusion of the SCR specifically.	Noted
1.371.	Pension Protection Fund	Q35	<p>In the UK, defined benefit schemes with a solvent sponsor cannot reduce benefits in respect of past service (except with the explicit consent of the relevant beneficiaries). Past service benefits can only ever be reduced when the scheme's sponsor becomes insolvent and the pension scheme is wound up. At that stage, reduced benefits are secured with an insurance company or members receive compensation from the PPF if the pension scheme has insufficient assets to secure at least the level of benefits that the PPF would provide (in which case the scheme ceases to exist and its assets transfer to the PPF).</p> <p>If the above mechanism was treated as a benefit reduction mechanism for the purpose of constructing the Holistic Balance Sheet, there is a danger that Trustees and sponsors of defined benefit pension schemes would regard the reduced level of benefits as a target for funding and solvency of the pension scheme. This is not the intention of the UK pension regulatory environment. Trustees and sponsors of pension schemes should be targeting full scheme benefits. Any relaxing of this target might have a detrimental effect on the funding and security of member benefits and hence lead to members not receiving their full accrued scheme benefits.</p> <p>This issue may not apply in the same way across the various pension regimes across Europe. Hence, it might be preferable to allow the individual Member States to decide whether to include benefit reduction mechanisms in the Holistic Balance Sheet or not.</p>	<p>View noted</p> <p>View noted</p>

			<p>However, if benefit reduction mechanisms were to be allowed for in the Holistic Balance Sheet, the approaches set out in the consultation paper are reasonable.</p> <p>We note that in the UK trustees have fiduciary duties to act in the best interests of the scheme beneficiaries, which means that they have a duty to seek to enable the scheme to meet the full benefit promise. Having benefits in the balance sheet reduced to the level of protection provided by the protection scheme (where this is less than 100%) could, depending upon the way in which the balance sheet is used, conflict with that fiduciary duty. Also, UK case law (the case of ITS v Hope) decided that trustees cannot use the existence of the PPF to justify actions that would otherwise be improper so including the PPF in the balance sheet could potentially – again depending on the way in which the balance sheet is used – be in conflict with UK law.</p>	Noted
1.372.	PensionsEurope	Q35	<p>Do stakeholders agree with these two approaches to valuing benefit reduction mechanisms? If not, what alternatives or amendments would you suggest?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p>	View noted

			<p>In case of an unlimited benefit reduction mechanism we agree with the conclusion that it generates the ultimate mechanism for the IORP's sustainability and should be valued as balancing item.</p>	Noted
			<p>Applying the balancing item approach or the direct approach should be determined by the kind of benefit reduction available. We suggest to use a kind of direct approach that differs from the one provided in the consultation in cases of a "restricted" benefit reduction mechanism such as the UK's Pension Protection Fund system which allows benefit reductions, subject to certain constraints: For most scheme members the PPF pays compensation of 90 per-cent of the benefits that would have been received from the scheme, although the existence of a compensation cap means that the percentage compensation is lower for high earners. If contract/bylaws or national law and other regulations allow for a benefit reduction but restrict that to a certain amount, this mechanism should be recognized directly up to its legal or regulatory limits. There should be no use of probability or predictability based on past policies within this approach.</p>	Noted
			<p>As provided in our answers concerning sponsor support and pension protection schemes, the consultation paper and therefore the whole HBS concept lacks convincing and workable answers concerning these two items of the HBS. This hampers the valuation process: either the valuation will be a very costly process or will be impossible to implement. Compelling IORPs to run through the whole valuation process although with a benefit reduction mechanism they provide of an enforceable and easy to calculating balancing item cannot be in the interest of members and beneficiaries.</p>	View noted

			Another idea to deal with multiple balancing items could be: As soon as more than one of the three potential items (sponsor support, pension protection scheme or benefit reduction mechanisms) are recognised as balancing items, they could be combined into one value.	
1.375.	RPTCL	Q35	We believe that the benefit reduction approach applicable to our IORPs are 'benefit reduction in the event of sponsor default'. This would be covered by the UK's Pension Protection Fund system. As benefit reductions are set out in UK law, the direct approach would seem to be the applicable route.	Noted
1.376.	Siemens Pensionsfonds	Q35	<p>We underline that all kinds of benefit reduction mechanisms should be treated as a last resort item at any time. We agree with the conclusion that if a benefit reduction mechanism is available and not limited, it generates the ultimate mechanism for the IORP's sustainability and should be valued as balancing item.</p> <p>But we do not see any dichotomy between a direct approach and the balancing item approach and would not restrict the recognition of a benefit reduction mechanism to cases of unlimited reductions. Applying one or the other approach should be determined by the kind of benefit reduction available. We suggest to use a kind of direct approach that differs from the one provided within the consultation in cases of a "restricted" benefit reduction mechanism. If contract/bylaws or national law and other regulations allow for a benefit reduction but restrict that to a certain amount, this mechanism should be recognised directly up to its legal or regulatory limits. There should be no use of probability or predictability based on past policies within this approach. In case of an unlimited benefit reduction mechanism the balancing item approach should kick in.</p>	<p>Partially disagree – an ex-ante benefit reduction mechanism is not necessarily a last resort mechanism.</p> <p>Noted</p>

			<p>Additionally, we do not agree with the approach of valuing all other items of a HBS first before recognising any benefit reduction mechanisms as mentioned in 4.91 last sentence. It is an unnecessary and costly exercise to value all mechanisms and “assets” that qualify, as balancing items on the HBSs if IORPs dispose of more than one. In Germany for example all IORPs dispose of two items, but not necessarily the same. Pension funds in form of “Pensionsfonds” and some form of “Pensionskassen” combine legally enforceable sponsor support with a pension protection scheme, another form of Pensionskassen combines legally enforceable sponsor support with an ex-ante benefit reduction mechanism.</p>	Noted
1.377.	Society of Pension Professionals	Q35	<p>Benefit reduction mechanisms</p> <p>Do stakeholders agree with these two approaches to valuing benefit reduction mechanisms? If not, what alternatives or amendments would you suggest?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising</p>	<p>View noted</p> <p>View noted</p>

			<p>from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>Yes.</p>	Noted
1.378.	Towers Watson	Q35	<p>Benefit reduction mechanisms</p> <p>Do stakeholders agree with these two approaches to valuing benefit reduction mechanisms? If not, what alternatives or amendments would you suggest?</p> <p>Yes. We agree with the two approaches set out to valuing benefit reduction mechanisms</p>	Noted
1.379.	United Utilities Group	Q35	<p>Q35: Do stakeholders agree with these two approaches to valuing benefit reduction mechanisms? If not, what alternatives or amendments would you suggest?</p>	
1.380.	ZVK-Bau	Q35	<p>Apart from the overall unfitting concept of the HBS for our scheme the answer is "Yes, but". We underline that all kinds of benefit reduction mechanisms should be treated as a last resort item at any time. We agree with the conclusion that if a benefit reduction mechanism is available and not limited it generates the ultimate mechanism for the IORP's sustainability and should be valued as balancing item.</p> <p>But we beleave that direct approach and balancing item approach could co-exist and would not restrict the recognition of a benefit reduction mechanism to cases of unlimited reductions. Applying one or the other approach should be determined by the kind of benefit reduction available. We suggest to use a kind of direct approach that</p>	<p>View noted</p> <p>Partially disagree – an ex-ante benefit reduction mechanism is not necessarily a last resort mechanism.</p> <p>Noted</p>

		<p>differs from the one provided within the consultation in cases of a “restricted” benefit reduction mechanism. If contract/bylaws or national law and other regulations allow for a benefit reduction but restrict that to a certain amount this mechanism should be recognized directly up to its legal or regulatory limits. There should be no use of probability or predictability based on past policies within this approach.</p> <p>In case of an unlimited benefit reduction mechanism the balancing item approach should find application.</p> <p>Additionally we do not agree with the approach of valuing all other items of a holistic balance sheet first before recognizing any benefit reduction mechanisms as mentioned in 4.91 last sentence.</p> <p>It is an unnecessary and costly exercise to value all mechanisms and “assets” that qualify as balancing items on the holistic balance sheets if IORPs dispose of more than one. In Germany for example all IORPs dispose of two items, but not necessarily the same. Pensionsfonds and some form of Pensionskassen combine legally enforceable sponsor support with a pension protection scheme, another form of Pensionskassen combines legally enforceable sponsor support with an ex ante benefit reduction mechanism. Bringing the possible balancing items in line could on a high level work as follows:</p> <ol style="list-style-type: none"> 1. Use legally enforceable sponsor support qualified to be recognized as balancing item. 2. If enforceable sponsor support is not sufficient, a pension protection 	<p>Noted</p> <p>Noted</p> <p>Noted</p>
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		<p>scheme should be used.</p> <p>3. Use benefit reduction mechanisms as balancing item.</p> <p>Within the HBS it should be possible either to work through this list top down or to skip one or the other possible balancing item without valuing it thoroughly. If one mechanism proves to be qualified as balancing item no other valuation should be necessary. Example: legally enforceable sponsor support is qualified as balancing item. End of valuation, even if there are a pension protection scheme and benefit reduction mechanisms available.</p> <p>As provided in our answers concerning sponsor support and pension protection schemes the consultation paper and therefore the whole HBS concept lacks convincing and workable answers concerning these two items of the HBS. This hampers the valuation process: either the valuation will be a very costly process or will be impossible to implement resp. will end in unconvincing results. To force IORPs to run through the whole valuation process although with a benefit reduction mechanism they provide of an enforceable and easy to calculating balancing item cannot be in the interest of members and beneficiaries.</p>	View noted
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