

**Resolutions on Comments on Consultation Paper on Further Work on Solvency of IORPs
EIOPA-CP14/040**

**EIOPA-BoS-
15/095**

Q36 – Q71

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, SUEWIDMETALL, Towers Watson, United Utilities Group, USS Limited, vbm, and ZVK-Bau

No.	Name	Reference	Comment	Resolution
1.381.	OPSG	Q36	<p>Characteristics of IORPs can differ a lot from one Member State (MS) to another.</p> <p>For example, differences exist in the following areas:</p> <ul style="list-style-type: none"> - Size - Legal structure - Governance - Parties involved in the day-to-day management <p>Inside one MS, different IORPs exist. For example:</p> <ul style="list-style-type: none"> - IORP with 1 sponsor 	Thank you for your comment.

			<ul style="list-style-type: none"> - IORP with several sponsors, belonging to the same group or not, with solidarity between sponsors or not - 1 sponsor with several IORPs <p>Also, on the sponsor's side, differences are present. For example:</p> <ul style="list-style-type: none"> - Multinational companies - Rated companies - Unrated companies - Not-for-profit organizations <p>Because of all these specificities, it seems difficult to capture sponsor support in one single formula all over the EU. The logical step is then to go for a principle based approach on EU level offering the opportunity to the Member States of adequately taking into account the national characteristics especially on the valuation of sponsor support.</p> <p>Consequently, the OPSG believes that the specifics for the valuation of sponsor support should be left to the MS, i.e. to national supervisors in collaboration with IORPs. The national supervisors know their market and they also know the IORPs they are supervising, probably from the date of creation of the IORP. Apart probably from cross-border IORPs established by large multinational companies, the national supervisors also know the sponsoring companies and their obligations in relation to their IORP.</p> <p>Any kind of "one size fits all"-approach in this area should be prevented. One guiding principle for the valuation of sponsor support should especially be the opportunity for IORPs to use the sponsor</p>	
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			support as a balancing item where appropriate	
1.382.	100 Group of Finance Directors	Q36	<p>Q36: Do stakeholders agree that at the EU level, there should only be a principle based approach to valuing sponsor support with the specifics being left to member states/supervisors and/or IORPs?</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>Yes, we agree with a principles-based approach to the assessment of sponsor support. The recognition that 'it may not be possible to devise a one-size-fits-all methodology to the valuation of sponsor support' is a crucial and welcome development in EIOPA's thinking on the holistic balance sheet. In our view, it should be for individual IORPs to make an assessment of sponsor support, using either qualitative or quantitative methods as appropriate to their circumstances, with national supervisors maintaining scrutiny (and the possibility of intervention) where needed.</p>	Thank you for your comment.
1.383.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q36	<p>The aba is still of the opinion that the concept of the HBS should not be applied to IORPs. The reason is that the HBS and the calculation of the SCR fully rest on the Solvency II structure regarding the market consistent valuation of assets and liabilities and the assessment and quantification of risks which the aba regards as unsuitable for IORPs.</p>	Thank you for your comment.

			<p>But given the HBS would be applied to IORPs we support at the most a principle based approach to valuing sponsor support that leaves the specifics to be set by Member States and national competent authorities. This approach would enable the national legislator to find suitable solutions for valuation of this mechanism under consideration of the different types of sponsors and how sponsor support is organized and legally regulated (in SLL) within each Member State. A „one-size-fits-all“-approach that doesn’t fit accurately for none of the existing variants should not be applied.</p> <p>The aba in general wants to underline that sponsor support should be considered in a regulatory framework. Thus – assuming that the HBS would be introduced - the proportionality principle including the balancing item approach for the use of sponsor support in combination with a model which is similarly simple as the PwC model (“M” approach) could potentially be part of this principle based approach. However, this alternative approach should not require calculating the HBS (for the “M” approach this is needed), but rather rely on a simpler measure (e.g. technical provisions).</p> <p>In this context we welcome that EIOPA recommends using the principle of proportionality and the introduction of the balancing item approach: IORPs with certain characteristics would not have to do detailed calculations to determine whether the HBS balances (p. 43). But we think that in these cases the strong sponsor should make up for explicit exemptions that should release from explicitly setting up a holistic balance sheet or Solvency II-like risk based solvency capital requirements.</p>	
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1.384.	ACA	Q36	Yes. Were an EU-level approach to valuing sponsor support to be taken, this should be principles based only, with the local supervisor left to determine the detail of how any valuation is undertaken, if one is needed in the absence of simply being able to count sponsor support as a balancing item.	Thank you for your comment.
1.385.	Actuarial Association of Europe	Q36	Yes, this is the most practical approach given the significant differences in IORP design that exist across member states. Naturally, the success of a principle-based approach relies on a clear set of principles being universally understood and applied.	Thank you for your comment.
1.386.	AEIP	Q36	<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 details of the market consistent calculation of sponsor support should be left to member states and IORPs to implement as appropriate and as specific as possible with regard to their own circumstances.</p>	Thank you for your comment.
1.387.	AGV Chemie	Q36	Yes, the specifics should be set by the Member States.	Thank you for your comment.

1.388.	ALSTOM	Q36	<p>Q36: Do stakeholders agree that at the EU level, there should only be a principle based approach to valuing sponsor support with the specifics being left to member states/supervisors and/or IORPs?</p> <p>Yes. Were an EU-level approach to valuing sponsor support to be taken, this should be principles based only, with the local supervisor left to determine the detail of how any valuation is undertaken, if one is needed in the absence of simply being able to count sponsor support as a balancing item.</p>	Thank you for your comment.
1.389.	Aon Hewitt	Q36	<p>Yes – we strongly support a principles-based approach and allowing IORPS/national supervisors to determine actual sponsor support on a country-by-country basis.</p>	Thank you for your comment.
1.390.	Association of Pension Lawyers	Q36	<p>1. We essentially welcome this, in that it seems EIOPA has recognised that substantive decisions on sponsor support may actually need to be taken by member states. We regard this as a positive step.</p> <p>2. Paragraphs 4.110 and 4.111 contain the key statements e.g. “EIOPA recognises that it may not be possible to devise a one-size-fits-all methodology to the valuation of sponsor support. The position of sponsors can vary significantly and the appropriate approach for one type of sponsor may not be appropriate for another...EIOPA therefore supports an EU wide principle based approach to the valuation of sponsor support. The overarching principle being put forward is that contained in EIOPA’s advice that the valuation of sponsor support should be market consistent. The specifics of the calculation should then be left to member states/national supervisory authorities and/or IORPs to implement as appropriate specific to their own circumstances.”</p> <p>3. However, it also seems that not all regulation is to be left to</p>	Thank you for your comment.

			<p>member states, with the introduction of “probabilistic” and “deterministic” modelling principles where the criteria for the “proportionality principle” is not met (if it is met, IORPs are released from the requirement to see whether the HBS balances).</p> <p>4. We would be keen to understand exactly what those modelling principles are and when they would be engaged (essentially more detail on the proportionality thresholds) before coming to a view as to whether they are viable from a UK perspective.</p>	
1.392.	Atradius Credit Insurance NV	Q36	<p>Were an EU-level approach to valuing sponsor support to be taken, this should be principles based only, with the local supervisor left to determine the detail of how any valuation is undertaken, if one is needed in the absence of being able to count sponsor support as a balancing item</p>	Thank you for your comment.
1.393.	BAPI	Q36	<p>Q36: Do stakeholders agree that at the EU level, there should only be a principle based approach to valuing sponsor support with the specifics being left to member states/supervisors and/or 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</p>	Thank you for your comment.

			<p>supervisory/transparency concept for IORPs because we do not.</p> <p>We very much welcome this approach. Member states/supervisors better understand the specificities of the system and the possible link with national regulation which might help to determine the most adequate approach without being forced to a non-fitting “one size fits all” solution.</p>	
1.394.	Barnett Waddingham LLP	Q36	<p>While we do not support the holistic balance sheet approach as envisaged by EIOPA, we would prefer an approach where the value of sponsor support is simply taken as the balancing item. If a method is required to value sponsor support, we would support a principles-based approach, preferably set by national regulators who will have an understanding of the appropriate background.</p>	Thank you for your comment.
1.395.	BASF SE	Q36	<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, but the broad principles should be set by the member states.</p>	Thank you for your comment.
1.396.	BDA	Q36	<p>Yes, the specifics should be set by the Member States.</p>	Thank you for your comment.
1.397.	Better Finance	Q36	<p>Better Finance understands the importance of a sensitive approach towards the sponsor support valuation. At the same time, Better Finance understands the EIOPA’s approach toward the principle based approach to valuing sponsor support with the specifics being left to member states/supervisors and/or IORPs. On the other hand, IORPs are the ones which are fully responsible for sound management of assets and liabilities. Better Finance recognizes the existence of underfunded IORPs, where the sponsor support might be called up. However, alongside the principle based approach, there should be a “uniform” EU-wide consistent approach (second approach) that allows</p>	<p>Partially agreed.</p> <p>EIOPA has preferred a principle-based approach, but all national guidance should be</p>

			<p>for clear market-consistent valuation of sponsor support as defined in 4.106: "The value of sponsor support should be calculated as the probability weighted average of the discounted value of future cash-flows, that would be required to be paid by the sponsor to the IORP in excess of its regular contributions, in order to ensure assets in the IORP meet a required level."</p> <p>This might increase the transparency and bring more transparency in the operations of IORPs across EU.</p>	consistent with this principle-based approach.
1.399.	British Telecommunications plc	Q36	<p>Q36: Do stakeholders agree that at the EU level, there should only be a principle based approach to valuing sponsor support with the specifics being left to member states/supervisors and/or IORPs?</p> <p>Yes, were an EU-level approach to valuing sponsor support to be taken, this should be principles based only, with the local supervisor left to determine the detail of how any valuation is undertaken, if indeed, one is needed in the absence of simply being able to count sponsor support as a balancing item. The recognition that 'it may not be possible to devise a one-size-fits-all methodology to the valuation of sponsor support' is a crucial and welcome development in EIOPA's thinking on the holistic balance sheet. It should be for individual IORPs to make an assessment of sponsor support, using either qualitative or quantitative methods as appropriate to their circumstances, with national supervisors maintaining scrutiny (and the possibility of intervention) where needed.</p>	Thank you for your comment.
1.400.	Candriam	Q36	<p>Do stakeholders agree that at the EU level, there should only be a principle based approach to valuing sponsor support with the specifics being left to member states/supervisors and/or IORPs?</p>	Thank you for your comment.

			<p>Given the diversity of pension arrangements and nature of security, we agree balance sheet valuation in European prudential regulation should be principle based with the local supervisor left to provide more detailed guidance.</p> <p>This is especially true for the inclusion or not of sponsor support in prudential balance sheet and if needed, a valuation framework, as we doubt sponsor support could be effectively captured by a single figure.</p>	
1.401.	CEEP	Q36	<p>Support of a principle based and IORP specific approach to regulating IORPs instead of an inadequate „one-size-fits-all“-approach for all types of IORPs that leaves the specifics to be set by member states. This enables to cover a broad range of different types of IORPs and sponsors as well as country specific differences and to find suitable solutions. Thus the regulatory specifics should be set by member states including a variety of equivalent approaches and leaving it up to the IORP to decide which approach to choose</p>	Thank you for your comment.
1.402.	Compass Group PLC	Q36	<p>Q36: Do stakeholders agree that at the EU level, there should only be a principle based approach to valuing sponsor support with the specifics being left to member states/supervisors and/or IORPs?</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>	Thank you for your comment.

			<p>Yes, we agree with a principles-based approach to the assessment of sponsor support. The recognition that 'it may not be possible to devise a one-size-fits-all methodology to the valuation of sponsor support' is a crucial and welcome development in EIOPA's thinking on the holistic balance sheet. In our view, it should be for individual IORPs to make an assessment of sponsor support, using either qualitative or quantitative methods as appropriate to their circumstances, with national supervisors maintaining scrutiny (and the possibility of intervention) where needed.</p>	
1.403.	D & L Scott	Q36	<p>While I prefer principle-based approaches to rules-based approaches, I have some reservations about the specifics being left to Member States' supervisors. In the United Kingdom, for example, the Pensions Regulator has a conflicted interest between reduce the risk of calls being made against the lifeboat support of the Pension Protection Fund and maintaining decent pension provision for all.</p> <p>I would leave the specifics to IORPs, subject of course to scrutiny by professional actuaries and auditors and also (conflicted) regulators.</p>	Thank you for your comment.
1.404.	EAPSPI	Q36	<p>EAPSPI is still of the opinion that the concept of the HBS should not be applied to IORPs. The reason is that the HBS and the calculation of the SCR fully rest on the Solvency II structure regarding the market-consistent valuation of assets and liabilities and the assessing and quantifying of risks which are unsuitable for IORPs.</p> <p>But if the HBS were to be applied to IORPs, we would support a principle based approach to valuing sponsor support that leaves the specifics to be set by member states and national competent authorities. This approach would make it possible to find suitable</p>	Thank you for your comment.

			<p>solutions for valuation of this mechanism under consideration of the different types of sponsors and how sponsor support is organized and legally regulated (in social and labour law) within each member state. A “one-size-fits-all”-approach that doesn’t fit accurately for any of the existing variants should not be applied.</p> <p>EAPSPI in general wants to underline that sponsor support should be considered in a regulatory framework. Thus – given that the HBS should be introduced - the proportionality principle including the balancing item approach for the use of sponsor support in combination with PwC’s “M” approach for assessing sponsor’s strength should be part of this principle based approach.</p>	
1.405.	EEF	Q36	<p>We agree that if there is to be an EU-level approach to valuing sponsor support it should be principles-based only - with the specifics being left to Member States to determine.</p> <p>Any other approach would be problematic given the wide variety of regimes in place across the EU and the multiple problems (identified in the Consultation Paper) with defining a single approach to valuing sponsor support, particularly in complex corporate structures.</p> <p>This approach would also allow for greater flexibility and adaptability at Member State level. A good example of the need for adaptability and responsiveness is the way in which, in the UK, employers are increasingly looking to contingent assets to provide additional security. The national regulator is able to respond quickly to such trends.</p>	Thank you for your comment.

1.406.	Eversheds LLP	Q36	<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, we think that this is the best approach given the diversity of sponsors within different Member States.</p> <p>EIOPA should be commended for responding in this way to the concerns raised in previous rounds of consultation.</p> <p>At UK level, a principles-based approach would allow for the inclusion of contingent assets, which are an increasingly widely used means of providing additional security for the scheme.</p>	Thank you for your comment.
1.407.	Evonik Industries AG	Q36	Yes, the specifics should be set by the Member States.	Thank you for your comment.
1.408.	FFSA	Q36	No. Valuation of sponsor support should be clearly defined at EU level, for harmonisation, comparability, level playing field and consumer information / protection.	<p>Partially agreed.</p> <p>EIOPA has preferred a principle-based approach, but all national guidance should be consistent with this principle-based approach.</p>

1.409.	FSUG	Q36	<p>FSUG understands the importance of a sensitive approach towards the sponsor support valuation. At the same time, FSUG understands the EIOPA's approach toward the principle based approach to valuing sponsor support with the specifics being left to member states/supervisors and/or IORPs. On the other hand, IORPs are the ones which are fully responsible for sound management of assets and liabilities. FSUG recognizes the existence of underfunded IORPs, where the sponsor support might be called up. However, alongside the principle based approach, there should be an "uniform" EU-wide consistent approach (second approach) that allows for clear market-consistent valuation of sponsor support as defined in 4.106: "The value of sponsor support should be calculated as the probability weighted average of the discounted value of future cash-flows, that would be required to be paid by the sponsor to the IORP in excess of its regular contributions, in order to ensure assets in the IORP meet a required level."</p> <p>This might increase the transparency and bring more transparency in the operations of IORPs across EU.</p>	<p>Partially agreed.</p> <p>EIOPA has preferred a principle-based approach, but all national guidance should be consistent with this principle-based approach.</p>
1.410.	GDFSUEZ	Q36	<p>Q36: Do stakeholders agree that at the EU level, there should only be a principle based approach to valuing sponsor support with the specifics being left to member states/supervisors and/or IORPs?</p> <p>Yes. Were an EU-level approach to valuing sponsor support to be taken, this should be principles based only, with the local supervisor left to determine the detail of how any valuation is undertaken, if one is needed in the absence of simply being able to count sponsor support as a balancing item.</p>	Thank you for your comment.
1.411.	GDV	Q36	<p>Do stakeholders agree that at the EU level, there should only be a principle based approach to valuing sponsor support with the specifics being left to member states/supervisors and/or IORPs?</p>	Thank you for your comment.

			The GDV agrees that there should only be a principle based approach to valuing sponsor support with the specifics being left to Member States and competent authorities.	
1.412.	GE	Q36	<p>Legally enforceable sponsor support</p> <p>Do stakeholders agree that at the EU level, there should only be a principle based approach to valuing sponsor support with the specifics being left to member states/supervisors and/or IORPs?</p> <p>Were an EU-level approach to valuing sponsor support to be taken, this should be principles based only, with the local supervisor left to determine the detail of how any valuation is undertaken, if one is needed in the absence of being able to count sponsor support as a balancing item.</p>	Thank you for your comment.
1.413.	GE Pension Trustees Limited	Q36	<p>Legally enforceable sponsor support</p> <p>Do stakeholders agree that at the EU level, there should only be a principle based approach to valuing sponsor support with the specifics being left to member states/supervisors and/or IORPs?</p> <p>Were an EU-level approach to valuing sponsor support to be taken, this should be principles based only, with the local supervisor left to determine the detail of how any valuation is undertaken, if one is needed in the absence of being able to count sponsor support as a balancing item. Any such principles need to be able to flexibly deal with the practical issue of assessing sponsor support in the case where the IORP has a number of participating employers within the same</p>	Thank you for your comment.

			corporate group and/or the IORP is provided with either direct or indirect support from the wider group (for example, via intercompany guarantees).	
1.415.	Heathrow Airport Limited	Q36	<p>Q36: Do stakeholders agree that at the EU level, there should only be a principle based approach to valuing sponsor support with the specifics being left to member states/supervisors and/or IORPs?</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>Yes, we agree with a principles-based approach to the assessment of sponsor support. The recognition that 'it may not be possible to devise a one-size-fits-all methodology to the valuation of sponsor support' is a crucial and welcome development in EIOPA's thinking on the holistic balance sheet. In our view, it should be for individual IORPs to make an assessment of sponsor support, using either qualitative or quantitative methods as appropriate to their circumstances, with national supervisors maintaining scrutiny (and the possibility of intervention) where needed.</p>	Thank you for your comment.
1.416.	Hoechst-Gruppe VVaG	Q36	The concept of the HBS should not be applied to IORPs. The reason is that the HBS and the calculation of the SCR fully rest on the Solvency II structure regarding the market consistent valuation of assets and liabilities and the assessment and quantification of risks which we regard as unsuitable for IORPs.	Thank you for your comment.

			<p>But given the HBS would be applied to IORPs we support at the most a principle based approach to valuing sponsor support that leaves the specifics to be set by Member States and national competent authorities. This approach would enable the national legislator to find suitable solutions for valuation of this mechanism under consideration of the different types of sponsors and how sponsor support is organized and legally regulated (in SLL) within each Member State. A „one-size-fits-all“-approach that doesn’t fit accurately for none of the existing variants should not be applied.</p> <p>In general, we want to underline that sponsor support should be considered in a regulatory framework. Thus – assuming that the HBS would be introduced - the proportionality principle including the balancing item approach for the use of sponsor support in combination with a model which is similarly simple as the PwC model (“M” approach) could potentially be part of this principle based approach. However, this alternative approach should not require calculating the HBS (for the “M” approach this is needed), but rather rely on a simpler measure (e.g. technical provisions).</p> <p>In this context we welcome that EIOPA recommends using the principle of proportionality and the introduction of the balancing item approach: IORPs with certain characteristics would not have to do detailed calculations to determine whether the HBS balances (p. 43). But we think that in these cases the strong sponsor should make up for explicit exemptions that should release from explicitly setting up a holistic balance sheet or Solvency II-like risk based solvency capital requirements.</p>	
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1.417.	IFoA	Q36	<p>We strongly believe that the only way in which a degree of “harmonisation” can be achieved in terms of outcomes for members is to adopt a principles based approach. When considering retirement benefit provision from the member’s perspective, it is not enough to consider IORP regulation in isolation. It is necessary, for example, to:</p> <ul style="list-style-type: none"> <input type="checkbox"/> consider Pillar 2 provision in the context of Pillar 1 and Pillar 3 provision <input type="checkbox"/> take account of the variations in social and labour law and practice <input type="checkbox"/> take account of variations in corporate structures and their interaction with insolvency law and practice <p>The IFoA considers that prescribing harmonised calculations for just one component of retirement benefit provision would have the effect of entrenching the differences between provision in different MS, rather than facilitating the development of the internal market.</p>	Thank you for your comment.
1.418.	IVS	Q36	<p>Yes – we agree that a one-size-fits-all methodology to the valuation of sponsor support is probably not possible. So a principles based approach makes sense. Member States should be given the responsibility to judge what makes most sense in their environment, because they understand the local situation best.</p>	Thank you for your comment.
1.419.	Jane Marshall Consulting	Q36	<p>There does not need to be a EU approach to the valuation of sponsor support at all whether principles based or not. This is a matter which should be left to national regulation. Regulation in the UK is risk based and is evolving to meet changed circumstances. It is difficult to envisage what additional benefit would be obtained from a EU wide system to replace or add to existing requirements. It is clear that the costs of compliance for UK schemes would be material and will constitute a disproportionate and unnecessary cost for business.</p>	Thank you for your comment.

1.421.	Lincoln Pensions Limited	Q36	<p>Do stakeholders agree that at the EU level, there should only be a principle based approach to valuing sponsor support with the specifics being left to member states/supervisors and/or IORPs?</p> <p><input type="checkbox"/> We welcome the proposal that IORPS adopt an approach where the specifics are determined largely by member states/supervisors. Such an approach would provide supervisors with increased comparability while allowing more mature markets with large material defined benefit obligations like the UK to retain the features that are most helpful to IORPS themselves.</p> <p><input type="checkbox"/> The UK approach to the assessment of sponsor support is advanced and provides a robust, flexible and scheme specific basis from which IORPS can adopt appropriate recovery plans and asset allocation decisions. While the UK approach may not be appropriate throughout the EU, the ability to retain this flexibility at member state level is highly appropriate.</p> <p><input type="checkbox"/> Our experience providing assessments of sponsor support since 2008 has shown that an overly prescriptive approach runs the risk of being either very complicated (as demonstrated by the complexity of options set out in this consultation) or lacking in utility for individual IORPS.</p> <p><input type="checkbox"/> In order to understand the impact of the HBS on IORPS, it is necessary to understand what the options for remedial action will be if the HBS test is failed. As has been recognised, there is still limited information available to understand the impact of any particular approach. Therefore, we would advocate a first stage of disclosure under a principles-based approach which would allow the data to be</p>	Thank you for your comment.
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			<p>gathered across the various jurisdictions so that the HBS methodology and supervisory response can be assessed properly.</p> <p><input type="checkbox"/> Our recommended way forward would therefore fall into three stages, namely:</p> <ul style="list-style-type: none"> o Stage 1 o Disclosure by IORPS under a set of prescribed, simplified tests set and supervised at EU Member level. o Under these disclosures, IORPs would be required by the relevant EU Member supervisory authority to use the HBS as part of their risk-management framework. o This Stage 1 would last 5 years to ensure that the calculation and implementation of the HBS is sufficiently understood by both supervisors, IORPs and sponsors. o After this period, a two year review of the full data could then be used to inform and set the principles for full implementation with HBS to set minimum funding requirements and solvency capital requirements. o Stage 2 o Following the publication of the final HBS rules and supervisory responses a transitional period of 15 years should be put in place, during which the revised principles for the HBS will drive the minimum funding requirements within each EU Member State but NOT solvency capital requirements. o Our experience of the implementation of the current UK regime suggests that sponsors across the EU member states will struggle to adjust budgeting and operations to meet revised targets in much less than the suggested 15 year period. o Stage 3 	
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			<p>o At the end of the transitional period, full compliance with the HBS could drive minimum funding and solvency requirements with harmonisation of capital requirements between IORPS and EU insurers/financial institutions.</p>	
1.423.	NAPF	Q36	<p>Q36: Do stakeholders agree that at the EU level, there should only be a principle based approach to valuing sponsor support with the specifics being left to member states/supervisors and/or 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>The NAPF agrees that an approach to valuing sponsor support based on high-level principles is most appropriate, with the specifics left to Member State level.</p> <p>This would allow full recognition of the many differences between different Member States’ pension systems and would, therefore, result in a more robust policy outcome.</p> <p>It would also allow full recognition of the impossibility of putting a single numerical value on sponsor support, the assessment of which always involves a degree of expert judgement.</p>	Thank you for your comment.

			<p>EIOPA should be commended for responding in this way to the concerns raised in previous rounds of consultation.</p> <p>At UK level, a principles-based approach would allow for the inclusion of contingent assets, which are an increasingly widely used means of providing additional security for the scheme.</p>	
1.426.	Otto Group	Q36	Yes, the specifics should be set by the Member States.	Thank you for your comment.
1.428.	Pensioenfederatie	Q36	<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 ($EBS = HBS + \text{net SCR}$). 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</p>	Thank you for your comment.

			<p>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>We agree that the specifics of the market consistent calculation of sponsor support should be left to the discretion of Member States and IORPs. This would allow Member States to implement these as appropriate and as specifically as possible with regard to their own circumstances.</p>	
1.429.	PensionsEurope	Q36	<p>Do stakeholders agree that at the EU level, there should only be a principle based approach to valuing sponsor support with the specifics being left to member states/supervisors and/or 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>	Thank you for your comment.

			<p>First of all, PensionsEurope commends EIOPA for responding in this way to the concerns raised in previous rounds of consultation. Sponsor support and its valuation has been a very sensible issue throughout the previous consultations and the QIS and is a core aspect of occupational pensions.</p> <p>We agree that the specifics of the market consistent calculation of sponsor support should be left to Member States and IORPs to implement as appropriate and as specific as possible with regard to their own circumstances. This would allow full recognition of the many differences between Member States' pension systems and would, therefore, result in a more robust policy outcome. It would also allow full recognition of the impossibility of putting a single numerical value on sponsor support, the assessment of which always involves a degree of judgement.</p> <p>This approach would enable to find suitable solutions for valuation of this mechanism under consideration of the different types of sponsors and how sponsor support is organized and legally regulated (in SLL) within each Member State. A "one-size-fits-all" approach that does not fit accurately for none of the existing variants should not be applied.</p> <p>In addition, PensionsEurope underlines that sponsor support should be considered in a regulatory framework. Thus – if the HBS were to be introduced - the proportionality principle including the balancing item approach for the use of sponsor support in combination with PwC's "M" approach for assessing sponsor's strength should be part of this principle-based approach. However, this alternative approach should</p>	
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			not require calculating the HBS (for the “M” approach this is needed), but rather rely on a simpler measure (e.g. technical provisions).	
1.430.	PERNOD-RICARD	Q36	<p>Q36: Do stakeholders agree that at the EU level, there should only be a principle based approach to valuing sponsor support with the specifics being left to member states/supervisors and/or IORPs?</p> <p>Yes. Were an EU-level approach to valuing sponsor support to be taken, this should be principles-based only, with the local supervisor left to determine the detail of how any valuation is undertaken, if one is needed, in the absence of simply being able to count sponsor support as a balancing item.</p>	Thank you for your comment.
1.431.	PricewaterhouseCoopers	Q36	<p>Yes – a principles based approach at the EU level makes most sense.</p> <p>A highly prescriptive valuation approach is very likely to produce materially wrong answers for large numbers of sponsors whose specific circumstances can not be adequately addressed using such a formulaic approach.</p> <p>Consistency of method is a worthwhile sacrifice to derive more sensible conclusions which are sponsor specific. A principles based approach would also be consistent with how business and asset valuation is addressed in the world of accounting and financial reporting more generally. For example, under International Financial Reporting Standards, the concept of fair value as it relates to un-listed businesses (the majority of sponsors) is defined and guidance is provided on how this should be interpreted, but there is no prescriptive methodology set out telling the valuer how the calculation</p>	Thank you for your comment.

			should be performed.	
1.432.	Punter Southall	Q36	Yes, we agree and support this approach. The nature and type of sponsor support will vary by member state. Sponsor support is complicated to value and therefore should not be prescribed at the EU level.	Thank you for your comment.
1.435.	RPTCL	Q36	<p>We might be able to be supportive of a principle-based approach – but only where the principles are reasonable. In practice, what seems to be being proposed is a principle of “market consistency” which 4.106 suggests is some form of discounted cash flow (“DCF”) approach reflecting a range of variables. However, 4.110 acknowledges some of the difficulties with this (but by no means all).</p> <p>We reiterate that any forward looking DCF calculation – to the extent that forecast cashflows are even available – is subject to a vast range of uncertainties and variables and very potentially a degree of manipulation. Further, it would only be a “point in time” assessment of an enterprise when set against liabilities which may extend for decades. Like share prices, the assumptions underpinning this highly time-consuming and expensive exercise would be rapidly superseded as there were further developments in market conditions and commercial circumstances.</p> <p>We see no meaningful value in this exercise: for quoted sponsors, there are market capitalisations available reflecting publicly available information ; for unquoted sponsors, the DCF approach would require the expensive and time-consuming generation of long term cash-flow forecasts and then the conduct of the valuation exercise itself for what is only a “point in time” purpose and subject to a huge range of assumptions.</p>	Thank you for your comment.

			In the sectionalised Railways Pension Scheme – with more than 150 employers supporting more than 100 stand-alone sections – our experience over a number of years is that sponsor support must be looked at “in the round”.	
1.436.	Siemens Pensionsfonds	Q36	Yes, the specifics should be set by the Member States.	Thank you for your comment.
1.437.	Society of Pension Professionals	Q36	<p>Legally enforceable sponsor support</p> <p>Do stakeholders agree that at the EU level, there should only be a principle based approach to valuing sponsor support with the specifics being left to member states/supervisors and/or IORPs?</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>	Thank you for your comment.

			<p>We question the value of even providing EU level principles. It should be left to individual Member States to determine what – if anything – they consider is appropriate to do in relation to the work that EIOPA has carried out to date in relation to the valuation of sponsor support and the wider use of the HBS. The range of outcomes exemplified by the various options set out in table 4.2 (and there are yet other ways of valuing sponsor support) demonstrates the inappropriateness of trying to place a single number value on sponsor support.</p>	
1.439.	Towers Watson	Q36	<p>Legally enforceable sponsor support</p> <p>Do stakeholders agree that at the EU level, there should only be a principle based approach to valuing sponsor support with the specifics being left to member states/supervisors and/or IORPs?</p> <p>Were an EU-level approach to valuing sponsor support to be taken, we agree that there should only be a principles-based approach to valuing sponsor support with the specifics being left to Member States and IORPs to allow for the difference in circumstances for particular Member States and in objectives for particular IORPs to be taken into account appropriately</p>	Thank you for your comment.
1.440.	United Utilities Group	Q36	<p>Q36: Do stakeholders agree that at the EU level, there should only be a principle based approach to valuing sponsor support with the specifics being left to member states/supervisors and/or IORPs?</p> <p>Yes. We agree with a principles-based approach to the assessment of sponsor support. In our view, it should be for individual IORPs to make an assessment of sponsor support, using either qualitative or quantitative methods as appropriate to their circumstances, with national supervisors maintaining scrutiny (and the possibility of intervention) where needed.</p>	Thank you for your comment.

			Our pension scheme Trustee assesses our covenant, using external advisers where necessary, on an ongoing basis and we work with them to ensure they have the information required to do so. The Pensions Regulator in the UK monitors this process and has an interest to ensure that it is correctly performed, given their role with the Pensions Protection Fund for cases where the covenant has been lost and the fund is unable to support the beneficiaries.	
1.441.	ZVK-Bau	Q36	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes. There is no other way to take all national and individual peculiarities into account.	Thank you for your comment.
1.442.	OPSG	Q37	<p>The OPSG agrees with a principle based approach for the valuation of the sponsor support and in general with the market consistent approach as overarching principle. In this context, the OPSG would like to point out that EIOPA identified that "the balancing item approach would therefore render the market-consistent value of the element [being used to balance the HBS]"(page 10 EIOPA Consultation, part 4.3).</p> <p>The OPSG however insists on the importance of the application of the proportionality principle in this area as well, and the use of the simplified approaches proposed means that in some cases the market consistent approach would not be applied</p>	Thank you for your comment.
1.443.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q37	The aba is still of the opinion that the concept of the HBS should not be applied to IORPs. The reason is that the HBS and the calculation of the SCR fully rest on the Solvency II structure regarding the market	Thank you for your comment.

			<p>consistent valuation of assets and liabilities and the measurement and quantification of risks which the aba regards as unsuitable for IORPs. Generally we reject the notion that assets and liabilities should be valued mark-to-market given the long term nature of pensions and the inadequate short-termism mark-to-market valuation may induce (see i.e. Q85 for more details).</p> <p>With respect to the valuation of sponsor support we think it is adequate to use market data where available to account for the ability of the sponsor to pay. We want to underline that the proposed balancing item approach (BIA) in this sense is in general market consistent (see also EIOPA 4.3) and should be accompanied with a model which is similarly simple as the PwC model ("M" approach).</p> <p>The answer to Q85 was:</p> <p>An HBS-type approach – if at all regarded as suitable - should include all mechanisms. If sponsor support and/or a PPS exist, they can secure the pensions promise. However, a sufficient level of funding with financial assets should be ensured. This should be calculated in a way so that the financial assets are generally sufficient to meet the benefits, without taking sponsor support and PPS into account. Level B technical provisions should therefore be the minimum requirement for the level of liabilities. In the Consultation Paper, EIOPA states that if there is a PPS, Level B should be sufficient (par. 5.85).</p> <p>The main points in favour of Level B for IORPs are the extremely long-term focus combined with – by German labour law - almost no distortion by cancellations.</p>	
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			<p>We would also like to point out that Level B as it was defined in the technical specifications for the IORP QIS does not fit all pension schemes across Europe. Therefore, Level B should be discussed further, or even, better, its definition should be left to competent national authorities.</p> <p>Calculating technical provisions on a market consistent basis incl. a risk free interest rate is not necessary and not appropriate for IORPs. A mark-to-market valuation of liabilities for IORPs as envisaged under Solvency II would be extremely damaging for long-term investments. Such a valuation would be extremely volatile, pro-cyclical, and based on a cut-off date; it would use the modelled view of an external investor and would therefore not take into account the specifics of most IORPs. The one-year-perspective and a consequent mark-to-market valuation of liabilities would lead to a completely wrong assessment of the situation. Mark-to-market sets short-term and therefore undesirable incentives for the management. This type of valuation could harm solid and long-term planning, as well as risk analyses and related calculations. It would therefore not contribute to more security for the beneficiaries. And in addition a transfer of liabilities to other market actors (see i.e. EIOPA 5.83) is – unlike within the insurance sector – not relevant because of the existing security mechanisms of IORPs which are actually to be assessed by the HBS. Thus we think that especially in cases where the balancing item approach is justified, a mark-to-market valuation is particularly inappropriate and unnecessary given its damaging consequences as the function of a market valuation (= transfer to other IORP or market actors).</p> <p>The result would be in addition an enormous increase in liabilities</p>	
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			<p>(without being a more accurate assessment) and thus funds to be delivered by sponsor (for future and eventually for existing promises) will discourage sponsors from occupational pensions. We therefore support EIOPA's analysis (i.e. 5.86, 5.177, 5.179 and 5.188) of the negative consequences of Level A technical provisions as funding requirements for existing promises for sponsors, employees and defined benefits and also with respect to growth and macroeconomic aspects.</p> <p>These consequences are confirmed by comprehensive studies, i.e. the study "The economic impact for the EU of a Solvency II inspired funding regime for pension funds" by UK's employer association CBI together with Oxford Economics that analysed economic consequences of a 30% increase of liabilities to be covered by additional delivered funds by sponsors and the SCR covered by sponsor support or PPS (= corresponds to Level A technical provisions to be covered by financial assets). The main results of the study are an increased call on business funds and in consequence significant negative impacts on capital spending, corporate cash flow, corporation tax payments, wages and employment as well as more modest impacts on employee pension contributions, procurement, prices and dividend payments. To give some numbers:</p> <ul style="list-style-type: none"> <input type="checkbox"/> 30% increase of technical provisions = €440 billion (£350 billion) = cost increase for UK Businesses <input type="checkbox"/> Up to 2.5% reduction of GDP for longer period <input type="checkbox"/> Up to 180,000 job losses p.a. <p>Similar results are given by the Report commissioned by UK's Pensions</p>	
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			<p>Minister Steve Webb (Webb-Report) indicating a funding shortfall in the UK of</p> <p><input type="checkbox"/> £400 billion (i.e. increase in technical provisions of £500 bn, less estimated sponsor support of £350bn, plus a net SCR of £250bn. The net SCR also allows for sponsor support).</p> <p><input type="checkbox"/> £150 billion (i.e. increase in technical provisions of £500bn, less estimated sponsor support of £350bn)</p>	
1.444.	ACA	Q37	Yes, but market consistent has a number of definitions.	Thank you for your comment.
1.445.	Actuarial Association of Europe	Q37	<p>The market-consistent approach allows alignment with Solvency II and with the wider global shift in solvency methods for long-term liabilities that is currently underway. As has been seen in the life assurance sector over the last decade, the introduction of market-consistent techniques and the transition to them from other approaches can be a source of technical difficulty and its results can have challenging economic implications.</p> <p>In the context of actuarial standards and professionalism, we believe that it is important that jargon is not used in a misleading way. In particular, if the final methodology does not have the standard properties of market-consistent valuation, it is best that it is called something else.</p>	Thank you for your comment.
1.446.	AEIP	Q37	<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</p>	Thank you for your comment.

			<p>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>In principle, we agree that the overarching principle of the valuation of sponsor support should be market consistent. However, there is no such market for valuating the adjustment mechanisms of IORPs, making the exercise of valuating them rather artificial.</p> <p>AEIP finds the “M” element valuation workable, no matter whether it is considered as fully market consistent or not.</p>	
1.447.	AGV Chemie	Q37	<p>The concept of the HBS should not be applied to IORPs. The reason is that the HBS and the calculation of the SCR fully rest on the Solvency II structure regarding the market consistent valuation of assets and liabilities. Furthermore the measuring and quantifying of risks are unsuitable for IORPs. Generally we reject the notion that assets and liabilities should be valued mark-to-market given the long term nature of pensions and the inadequate short-termism mark-to-market valuation may induce. We want to underline that the proposed balancing item approach in this sense is consistent in general market.</p>	Thank you for your comment.
1.448.	Aon Hewitt	Q37	<p>Yes – a market consistent approach is preferable. However, in practice, there are few market indicators available for many sponsor</p>	Thank you for your comment.

			parameters including company valuations, credit ratings, probabilities of default, recovery rates, etc. Also, coming up with a single figure for sponsor support could be dangerous if this figure is then relied upon for decision making – this is because there could be so many different methods that could be used, and the calculated value could depend on actual methods, assumptions and judgement applied.	
1.449.	Association of Pension Lawyers	Q37	It is not altogether clear what this will mean in practice. Will any “market consistency” take into account the diverse nature of UK DB IORPs and be bespoke enough?	Thank you for your comment.
1.450.	BAPI	Q37	<p>Q37: Do stakeholders agree with the overarching principle that the valuation of sponsor support should be market consistent? If not, what principle(s) 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 are not convinced that a market to market approach is the most appropriate for IORPs. IORPs per definition have long term liabilities.</p>	Thank you for your comment.

			<p>Valuing those engagements at market value means a lot of volatility is introduced which most probably might result in short term management actions which on the longer run are not in the interest of the member's retirement benefits.</p> <p>We still question the "market consistent" valuation of sponsor support which is mainly done based on incomplete market data. Therefore BAPI welcomes the suggested simplifications, like the sponsor support valued as balancing item and set against M times the sponsor's strength.</p>	
1.451.	Barnett Waddingham LLP	Q37	We believe that any valuation requirements should be set by national regulators who will have an understanding of the appropriate background.	Thank you for your comment.
1.452.	BASF SE	Q37	No. We generally consider the market value based approach inadequate for liabilities with such long durations. Moreover, there is normally no need for IORPs to liquidate all pension liabilities at one point in time. For insurance contracts the approach might be adequate as hypothetically all contracts could be cancelled at the same time, for occupational pensions labour law does not allow – via vesting - early cancellations. The huge number and size of deferred benefits of vested leavers in a typical IORP is evidence for that. Any valuation and risk management that is based on a market value approach sets the wrong incentives for those running the institution. Calculating technical provisions on a market consistent basis including a risk free interest rate is not appropriate for IORPs. Such a valuation risks to be pro-cyclical and could harm solid and long-term planning.	Thank you for your comment.
1.453.	BDA	Q37	The concept of the HBS should not be applied to IORPs. The reason is that the HBS and the calculation of the SCR fully rest on the Solvency II structure regarding the market consistent valuation of assets and liabilities. Furthermore the measuring and quantifying of risks are	Thank you for your comment.

			unsuitable for IORPs. Generally we reject the notion that assets and liabilities should be valued mark-to-market given the long term nature of pensions and the inadequate short-termism mark-to-market valuation may induce. We want to underline that the proposed balancing item approach in this sense is consistent in general market.	
1.454.	Better Finance	Q37	Fully agree.	Thank you for your comment.
1.455.	Candriam	Q37	<p>Do stakeholders agree with the overarching principle that the valuation of sponsor support should be market consistent? If not, what principle(s) would you suggest?</p> <p>We doubt sponsor support could be effectively captured by a single figure, whatever the underlying principle of valuation.</p> <p>The model proposed in the QIS to value sponsor support included many arbitrary parameters, did not fit actual IORPs sponsors environment and did not give any information on the variety of sources of funding.</p> <p>Should sponsor support be valued, we do not believe that it should and could be market consistent. If so, we will end up with an artificial market valuation, because for example there is neither a market for the financial support of a network of universities or a country-wide economic sector made of small companies such as barbers, nor for a working life long guarantee depending on political parameters such as retirement age. We also expect other unworkable adjustments to come at a latter stage such as those included in Solvency II, which are</p>	Thank you for your comment.

			only included to move away from the theoretical market valuation.	
1.456.	Compass Group PLC	Q37	Q37: Do stakeholders agree with the overarching principle that the valuation of sponsor support should be market consistent? If not, what principle(s) would you suggest?	
1.457.	D & L Scott	Q37	<p>The exaggerated claims made for «market consistency» through the use of mark-to-market valuations and so-called «modern» portfolio theory (which in turn is based on the so-called Efficient Markets Hypothesis and the Capital Asset Pricing Model) make this a dangerous basis for setting overarching principles.</p> <p>I look forward to a day when regulators such as EIOPA and TPR here in the United Kingdom, as well as many of the so-called professional advisers, address to the many well-documented criticisms by both academics and practitioners where such valuations and theories are adopted uncritically.</p> <p>My personal criticisms of mark-to-market valuations start with the lot sizes used within markets to establish prices, and extend to the failure to differentiate between short-term resale value and longer-term «value-in-use».</p>	Thank you for your comment.
1.458.	Eversheds LLP	Q37	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.	Thank you for your comment.

			<p>Eversheds is unable to give a clear answer to this question, as the consultation paper does not make clear what is meant by 'market-consistent'.</p> <p>A definition is given in para 4.106, but the meaning of 'market consistent' remains unclear.</p> <p>EIOPA needs to make clear what it means by a 'market consistent' valuation of sponsor support before developing the Holistic Balance Sheet project further.</p>	
1.459.	Evonik Industries AG	Q37	<p>The concept of the HBS should not be applied to IORPs. The reason is that the HBS and the calculation of the SCR fully rest on the Solvency II structure regarding the market consistent valuation of assets and liabilities. Furthermore the measuring and quantifying of risks are unsuitable for IORPs. Generally we reject the notion that assets and liabilities should be valued mark-to-market given the long term nature of pensions and the inadequate short-termism mark-to-market valuation may induce. We want to underline that the proposed balancing item approach in this sense is consistent in general market.</p>	Thank you for your comment.
1.460.	FFSA	Q37	Yes.	Thank you for your comment.
1.461.	FSUG	Q37	Fully agree.	Thank you for your comment.
1.462.	GDV	Q37	Do stakeholders agree with the overarching principle that the valuation of sponsor support should be market consistent? If not, what	Thank you for your comment.

			<p>principle(s) would you suggest?</p> <p>The GDV welcomes a regime that appropriately takes into account the risks related to the activities of IORPs and recognises the specific characteristics of IORPs. Therefore, the GDV agrees that the valuation of sponsor support should be market consistent.</p>	
1.464.	Heathrow Airport Limited	Q37	<p>Q37: Do stakeholders agree with the overarching principle that the valuation of sponsor support should be market consistent? If not, what principle(s) would you suggest?</p>	
1.465.	Hoechst-Gruppe VVaG	Q37	<p>The concept of the HBS should not be applied to IORPs. The reason is that the HBS and the calculation of the SCR fully rest on the Solvency II structure regarding the market consistent valuation of assets and liabilities and the measurement and quantification of risks unsuitable for IORPs. Generally we reject the notion that assets and liabilities should be valued mark-to-market given the long term nature of pensions and the inadequate short-termism mark-to-market valuation may induce (see i.e. Q85 for more details).</p> <p>With respect to the valuation of sponsor support we think it is adequate to use market data where available to account for the ability of the sponsor to pay. We want to underline that the proposed balancing item approach (BIA) in this sense is in general market consistent (see also EIOPA 4.3) and should be accompanied with a model which is similarly simple as the PwC model ("M" approach).</p> <p>The answer to Q85 was:</p> <p>An HBS-type approach – if at all regarded as suitable - should include</p>	<p>Thank you for your comment.</p>

			<p>all mechanisms. If sponsor support and/or a PPS exist, they can secure the pensions promise. However, a sufficient level of funding with financial assets should be ensured. This should be calculated in a way so that the financial assets are generally sufficient to meet the benefits, without taking sponsor support and PPS into account. Level B technical provisions should therefore be the minimum requirement for the level of liabilities. In the Consultation Paper, EIOPA states that if there is a PPS, Level B should be sufficient (par. 5.85).</p> <p>The main points in favour of Level B for IORPs are the extremely long-term focus combined with – by German labour law - almost no distortion by cancellations.</p> <p>We would also like to point out that Level B as it was defined in the technical specifications for the IORP QIS does not fit all pension schemes across Europe. Therefore, Level B should be discussed further, or even, better, its definition should be left to competent national authorities.</p> <p>Calculating technical provisions on a market consistent basis incl. a risk free interest rate is not necessary and not appropriate for IORPs. A mark-to-market valuation of liabilities for IORPs as envisaged under Solvency II would be extremely damaging for long-term investments. Such a valuation would be extremely volatile, pro-cyclical, and based on a cut-off date; it would use the modelled view of an external investor and would therefore not take into account the specifics of most IORPs. The one-year-perspective and a consequent mark-to-market valuation of liabilities would lead to a completely wrong assessment of the situation. Mark-to-market sets short-term and therefore undesirable incentives for the management. This type of</p>	
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			<p>valuation could harm solid and long-term planning, as well as risk analyses and related calculations. It would therefore not contribute to more security for the beneficiaries. And in addition a transfer of liabilities to other market actors (see i.e. EIOPA 5.83) is – unlike within the insurance sector – not relevant because of the existing security mechanisms of IORPs which are actually to be assessed by the HBS. Thus we think that especially in cases where the balancing item approach is justified, a mark-to-market valuation is particularly inappropriate and unnecessary given its damaging consequences as the function of a market valuation (= transfer to other IORP or market actors).</p> <p>The result would be in addition an enormous increase in liabilities (without being a more accurate assessment) and thus funds to be delivered by sponsor (for future and eventually for existing promises) will discourage sponsors from occupational pensions. We therefore support EIOPA's analysis (i.e. 5.86, 5.177, 5.179 and 5.188) of the negative consequences of Level A technical provisions as funding requirements for existing promises for sponsors, employees and defined benefits and also with respect to growth and macroeconomic aspects.</p> <p>These consequences are confirmed by comprehensive studies, i.e. the study "The economic impact for the EU of a Solvency II inspired funding regime for pension funds" by UK's employer association CBI together with Oxford Economics that analysed economic consequences of a 30% increase of liabilities to be covered by additional delivered funds by sponsors and the SCR covered by sponsor support or PPS (= corresponds to Level A technical provisions to be covered by financial assets). The main results of the study are an increased call on business funds and in consequence significant negative impacts on</p>	
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			<p>capital spending, corporate cash flow, corporation tax payments, wages and employment as well as more modest impacts on employee pension contributions, procurement, prices and dividend payments. To give some numbers:</p> <ul style="list-style-type: none"> <input type="checkbox"/> 30% increase of technical provisions = €440 billion (£350 billion) = cost increase for UK Businesses <input type="checkbox"/> Up to 2.5% reduction of GDP for longer period <input type="checkbox"/> Up to 180,000 job losses p.a. <p>Similar results are given by the Report commissioned by UK's Pensions Minister Steve Webb (Webb-Report) indicating a funding shortfall in the UK of</p> <ul style="list-style-type: none"> <input type="checkbox"/> £400 billion (i.e. increase in technical provisions of £500 bn, less estimated sponsor support of £350bn, plus a net SCR of £250bn. The net SCR also allows for sponsor support). <input type="checkbox"/> £150 billion (i.e. increase in technical provisions of £500bn, less estimated sponsor support of £350bn) 	
1.466.	IFoA	Q37	<p>As stated in our responses to earlier consultations, our view is that the methods and assumptions used to evaluate the various components of the HBS should depend on the purpose for which the HBS is being used. As a result, our view on these particular questions depends on the proposed supervisory responses.</p>	Thank you for your comment.

			<p>While, in general, we favour approaches that are consistent with market information (where this is available), the use of the term “market consistent” in this context is applied somewhat differently to how it is used in financial economics.</p> <p>We recognise the value in the stochastic modelling of sponsor support when a large number of sponsors are valued together. As far as we know, these techniques are not used by market practitioners (such as covenant advisers, investment analysts, asset managers, investment bankers). We would recommend that EIOPA investigates the extent to which using these methods, and any approximations based on them, will affect decisions made by corporate bodies and investors. In particular, it is not clear that the proposed methods will adequately consider the variations in position that IORPs occupy in corporate hierarchies. This may create opportunity for corporates to restructure in ways that disadvantage their IORPs.</p> <p>We note too the comment in the last bullet of 4.164 that the model is very sensitive to the structure and the inputs. For this reason, we would suggest that careful consideration be given to whether the model would be fit for purpose.</p>	
1.467.	IVS	Q37	<p>Although we consider that market consistency is an ideal, this need not be implemented in a puristic way but should rather be implemented in a principles based approach i.e. following the principle of « practicality before accuracy ». A high degree of granularity in this area is spurious anyway. If, for example, a complicated market consistent approach leads to effectively the same result as a simplified approach, the latter should be able to be applied.</p>	Thank you for your comment.

			We consider that the proposed balancing item approach is, in general, market consistent (see also EIOPA 4.3) and should be accompanied with a model which is similarly simple as the PwC model ("M" approach).	
1.468.	Jane Marshall Consulting	Q37	Vaulation of sponsor support (to the extent that it needs to be quantified) should be left to national authorities.	Thank you for your comment.
1.469.	NAPF	Q37	<p>Q37: Do stakeholders agree with the overarching principle that the valuation of sponsor support should be market consistent? If not, what principle(s) 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>Yes, but EIOPA should clarify what it means by 'market consistent', as the term has a number of definitions.</p>	Thank you for your comment.
1.472.	Otto Group	Q37	The concept of the HBS should not be applied to IORPs. The reason is that the HBS and the calculation of the SCR fully rest on the Solvency II structure regarding the market consistent valuation of assets and liabilities. Furthermore the measuring and quantifying of risks are unsuitable for IORPs. Generally we reject the notion that assets and liabilities should be valued mark-to-market given the long term nature of pensions and the inadequate short-termism mark-to-market	Thank you for your comment.

			valuation may induce. We want to underline that the proposed balancing item approach in this sense is consistent in general market.	
1.474.	Pensioenfederatie	Q37	<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 overarching principle of the sponsor support valuation should be market consistent. This is true especially in cases where sponsor support may be used in tandem with other security mechanisms, such as benefit reductions.</p>	Thank you for your comment.
1.475.	PensionsEurope	Q37	<p>Do stakeholders agree with the overarching principle that the valuation of sponsor support should be market consistent? If not, what principle(s) 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</p>	Thank you for your comment.

			<p>workplace pension schemes.</p> <p>PensionsEurope is still of the opinion that the concept of the HBS is unsuitable for IORPs. Generally, we reject the notion that assets and liabilities should be valued mark-to-market given the long term nature of pensions and the inadequate short-termism that mark-to-market valuation may induce (see i.e. Q85 for more details).</p> <p>However we agree that the overarching principle of the valuation of sponsor support should be market consistent in the sense that we think it is adequate to use market data where available to account for the ability of the sponsor to pay, especially in cases where sponsor support may be used in tandem with other security mechanisms, such as benefit reductions.</p> <p>We want to underline that the proposed balancing item approach (BIA) in this sense is in general market consistent (see also EIOPA 4.3) and should be accompagnied with a model which is similarly simple as the PwC model ("M" approach).</p>	
1.476.	PricewaterhouseCoopers	Q37	<p>No – A more appropriate principle would be market value rather than market consistent, although in practice they are both driving at the same thing.</p> <p>The concept of market consistency is one which is commonly used in the actuarial and life assurance industry, but would not be generally</p>	Thank you for your comment.

			familiar to sponsors or trustees. As such we believe it is likely to confuse participants.	
1.479.	RPTCL	Q37	<p>If “market consistent” means a discounted cash flow (“DCF”) approach, then we do not agree with the overarching principle.</p> <p>We think it is highly preferable to think of “assessing” rather than “valuing” sponsor support. An “assessment” can take account of the very many variables which are typically found when considering sponsor support whereas “valuing” sponsor support is constrained by the factors within the valuation method.</p> <p>If “market consistent” means that IORPs and sponsors would be obliged to consider sponsor support “in the round” when arriving at technical provisions – without any DCF or similar prescriptive obligations – then we would be supportive of this approach (which is consistent with the existing UK approach).</p>	Thank you for your comment.
1.480.	Siemens Pensionsfonds	Q37	The concept of the HBS should not be applied to IORPs. The reason is that the HBS and the calculation of the SCR fully rest on the Solvency II structure regarding the market consistent valuation of assets and liabilities. Furthermore the measuring and quantifying of risks are unsuitable for IORPs. Generally we reject the notion that assets and liabilities should be valued mark-to-market given the long term nature of pensions and the inadequate short-termism mark-to-market valuation may induce. We want to underline that the proposed balancing item approach in this sense is consistent in general market.	Thank you for your comment.
1.481.	Society of Pension Professionals	Q37	Do stakeholders agree with the overarching principle that the valuation of sponsor support should be market consistent? If not, what principle(s) would you suggest?	Thank you for your comment.

			<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>Theoretically this may appear attractive – but leaves one with the question of quite what is ‘market consistency’ in this context? EIOPA’s work on this demonstrates that this is not possible in practice.</p>	
1.482.	Towers Watson	Q37	<p>Do stakeholders agree with the overarching principle that the valuation of sponsor support should be market consistent? If not, what principle(s) would you suggest? We believe that it is very difficult to come up with an objectively market-consistent valuation of sponsor support as the support only has value when market conditions are such that the contingency of sponsor support is required i.e. markets are distressed. The wide variation in results from the methods proposed in this paper demonstrates the difficulty in assessing this value objectively. This principle does not appear to add value to the</p>	Thank you for your comment.

			<p>IORP in assessing risk or determining funding requirements.</p> <p>The overarching principle for the valuation of sponsor support is that the valuation should ensure the HBS is fit for the purpose for which it is being used i.e. it produces sensible funding requirements which improve the position of the IORP or produces a realistic assessment of the risks run by the IORP at the desired probability.</p>	
1.483.	United Utilities Group	Q37	<p>Q37: Do stakeholders agree with the overarching principle that the valuation of sponsor support should be market consistent? If not, what principle(s) would you suggest?</p>	
1.484.	ZVK-Bau	Q37	<p>As mentioned before we doubt that for our fund (sponsored today by almost 55,000 and in the near future by 70,000 enterprises of which 92 % have less than 20 employees and therefore neither calculate or publish financial data like EBITDA nor provide a rating opinion) the value of sponsor support can be calculated individually. Therefore any concept that defines "market-consistent" via individual ratings of the sponsors or – as a simplification – via the ratings of the biggest sponsors will not work.</p>	Thank you for your comment.
1.485.	OPSG	Q38	<p>The OPSG considers that a separate and explicit valuation of the sponsor support using expected cash flows is not necessary in cases when the balancing item approach is applicable, noting that EIOPA has identified that "the balancing item approach would therefore render the market-consistent value of the element [being used to balance the HBS]" (page 10 EIOPA Consultation, part 4.3).</p> <p>If the balancing item approach is not appropriate, the OPSG agrees with the allowance for affordability of the sponsor while valuing expected cash flows using the market consistent approach. Credit risk</p>	Thank you for your comment.

			of the sponsor should be taken into account as well; however, default rates may not be available for all types of sponsors. Simplifications in this area could lead to inexact outcomes	
1.486.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q38	No, a separate and explicit valuation of the sponsor support using expected cash flows is in general not necessary (and often not possible with accurate precision and data). Such explicit approaches raise significant practical problems as already discussed with respect to the IORP QIS and the sponsor support discussion paper in 2013. Especially in cases when the balancing item approach is applicable no explicit valuation on the basis of expected cash flows should be required. In order to achieve a market consistent valuation the balancing item approach (BIA) is accurate as also mentioned by EIOPA in 4.3 and should therefore be allowed. Given that the BIA is only allowed if the strength of the sponsor is checked, the affordability of payments and the credit risk of the sponsor are (implicitly) considered. Thus the BIA in combination with a model which is similarly simple as the PwC model ("M" approach) could potentially be used, however, this alternative approach should not require calculating the HBS.	Thank you for your comment.
1.487.	Actuarial Association of Europe	Q38	Yes, we agree that a market-consistent valuation of sponsor support must be a function of the affordability of the sponsor (i.e. the intended timing and size of the additional support) and the credit risk of the sponsor. However, we would caution that whilst these factors are necessary for a market-consistent valuation, they are not sufficient. In particular, a discount rate / cashflow expectations method must be used that is consistent with relevant market prices (in the case of sponsor support, the market price of traded debt of the sponsor, or another entity with a similar credit risk profile).	Thank you for your comment.

			<p>Broadly speaking, two equivalent types of method could be used: the discount rate that is used to discount expected sponsor cashflows must be risk-adjusted (generally upwards from the risk-free rate); or the expectations for sponsor cashflows are calculated using risk-neutral probabilities (generally higher than real-world probabilities). Discounting 'real-world' expectations of credit-risky cashflows at risk-free interest rates will not produce a value that is market-consistent in the sense used in Solvency II or in actuarial science or economics more widely. (Also, it can be noted that the QIS technical specification quoted in paragraph 4.106 does not necessarily imply a market-consistent valuation.)</p>	
1.488.	AEIP	Q38	<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>AEIP reminds that in some countries (the Netherlands) market consistent valuation is already in use. However, AEIP also affirms that there is no such market for valuating the adjustment mechanisms of IORPs, making the exercise of valuating them rather artificial.</p> <p>Moreover, we stress that it is difficult to get a good view on the credit risk of the sponsor in case the sponsor is not rated. Apart from that,</p>	Thank you for your comment.

			<p>the enforcement of the sponsor commitment may also depend on the reported strength of the sponsor. Likewise it is not clear what principle should be used for the allowance for credit risk and affordability in case of multi employers IORPs and multi IORP sponsors.</p> <p>AEIP finds the “M” element valuation workable, no matter whether it is considered as fully market consistent or not.</p>	
1.489.	AGV Chemie	Q38	No, a separate and explicit valuation of the sponsor support using expected cash flows is not necessary in general and often not possible with accurate precision and data.	Thank you for your comment.
1.490.	Aon Hewitt	Q38	Yes – where a calculation is necessary, expected cash flows should take account of affordability and credit risk (unless including these items would be spurious, eg for very strong sponsors).	Thank you for your comment.
1.491.	Association of Pension Lawyers	Q38	Our initial view on this is that while this seems like a logical idea – it’s not a million miles from the UK Pension Regulator’s current blend of risk management in terms of protecting members benefits while balancing this against the new sponsor sustainable growth principle – we are concerned about how any more structured requirements would actually be implemented, and at what cost (vs benefit).	Thank you for your comment.
1.492.	BAPI	Q38	<p>Q38: Do stakeholders agree that in order to achieve this market-consistent valuation, the expected cash flows required by the IORP should be valued allowing for affordability and credit risk of the sponsor? If not, what approach(es) 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>	Thank you for your comment.

			<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>The law of the large numbers tells us that the average of the results obtained from a large number of trials should be close to the expected value, and will tend to become closer as more trials are performed. As such it seems strange to rely on a value of sponsor support knowing that the figure is obtained by use of incomplete data to determine the credit risk and by applying this credit risk on one single sponsor only. This seems to generate an artificial number giving no guarantee that the actual value will be close to the expected value. This approach only makes sense if it is used as a draft risk indicator and not as an accurate value as such.</p> <p>Our suggestion would be to determine the sponsor support by default as the balancing item and to assess the sustainability/affordability afterwards either by use of an accurate valuation or by applying a simplified approach like for instance by use of PwC's suggestion to use M times the sponsor's strength.</p>	
1.493.	Barnett Waddingham LLP	Q38	We would prefer an approach where the value of sponsor support is simply taken as the balancing item.	Thank you for your comment.

1.494.	BASF SE	Q38	<p>We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept the answer is No.</p> <p>As discussed in the last years, this approach would raise significant practical problems. So the other approaches especially the balancing item approach are preferable.</p>	Thank you for your comment.
1.495.	BDA	Q38	No, a separate and explicit valuation of the sponsor support using expected cash flows is not necessary in general and often not possible with accurate precision and data.	Thank you for your comment.
1.496.	Better Finance	Q38	Agree on the allowing for affordability and credit risk of the sponsor as a general approach. For affordability, the sponsor should present its ability to finance the gap using financial analysis and modeling techniques. For the credit risk assessment, also the CDS could be used.	Thank you for your comment.
1.497.	Compass Group PLC	Q38	Q38: Do stakeholders agree that in order to achieve this market-consistent valuation, the expected cash flows required by the IORP should be valued allowing for affordability and credit risk of the sponsor? If not, what approach(es) would you suggest?	Thank you for your comment.
1.498.	D & L Scott	Q38	<p>I would refer again to the basis for setting discount rates set out in the IORP Directive of 2003 and its equivalent wording in Member States' regulatory frameworks, as mentioned earlier at Q12.</p> <p>I would suggest that where an IORP has a proven track record of meeting its expected returns, it is entitled to use a prudent discount rate taking into account the current yield on the current investment portfolio and expected future returns, preferably using decomposition</p>	Thank you for your comment.

			<p>analysis into componets of return such as yield, yield growth and realisable re-rating. This approach is further supported by having a comparatively stronger sponsor, although I would argue this is not a necessary condition, since the support for pensions obligations comes mostly from expected investment contributions rather than from sponsor and/or member contributions.</p> <p>On the other hand, where the IORP has no such track record and/or where the sponsor is unable to offer material support, then I would favour discounting using a so-called risk-free discount rate based on government bonds. I am less persuaded – despite their use by accounting standard setters – of the merits of so-called «high quality» (for example, AA-rated) corporate bonds.</p>	
1.499.	Eversheds LLP	Q38	<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 is unable to give a clear answer to this question, as the consultation paper does not make clear what is meant by 'market-consistent'.</p> <p>A definition is given in para 4.106, but the meaning of 'market consistent' remains unclear.</p> <p>EIOPA `needs to make clear what it means by a 'market consistent' valuation of sponsor support before developing the Holistic Balance Sheet project further.</p>	Thank you for your comment.

1.500.	Evonik Industries AG	Q38	No, a separate and explicit valuation of the sponsor support using expected cash flows is not necessary in general and often not possible with accurate precision and data.	Thank you for your comment.
1.501.	FFSA	Q38	Yes and the default probability should be defined at European level to ensure harmonisation, comparability and level playing field.	Thank you for your comment.
1.502.	FSUG	Q38	Agree on the allowing for affordability and credit risk of the sponsor as a general approach. For affordability, the sponsor should present its ability to finance the gap using financial analysis and modeling techniques. For the credit risk assessment, also the CDS could be used.	Thank you for your comment.
1.503.	GDV	Q38	<p>Do stakeholders agree that in order to achieve this market consistent valuation, the expected cash flows required by the IORP should be valued allowing for affordability and credit risk of the sponsor? If not, what approach(es) would you suggest?</p> <p>The GDV agrees that in order to achieve this market consistent valuation, the expected cash flows required by the IORP should be valued allowing for affordability and credit risk of the sponsor.</p>	Thank you for your comment.
1.505.	Heathrow Airport Limited	Q38	Q38: Do stakeholders agree that in order to achieve this market-consistent valuation, the expected cash flows required by the IORP should be valued allowing for affordability and credit risk of the sponsor? If not, what approach(es) would you suggest?	
1.506.	Hoechst-Gruppe VVaG	Q38	No, a separate and explicit valuation of the sponsor support using expected cash flows is in general not necessary (and often not possible with accurate precision and data). Such explicit approaches raise significant practical problems as already discussed with respect	Thank you for your comment.

			to the IORP QIS and the sponsor support discussion paper in 2013. Especially in cases when the balancing item approach is applicable no explicit valuation on the basis of expected cash flows should be required. In order to achieve a market consistent valuation the balancing item approach (BIA) is accurate as also mentioned by EIOPA in 4.3 and should therefore be allowed. Given that the BIA is only allowed if the strength of the sponsor is checked, the affordability of payments and the credit risk of the sponsor are (implicitly) considered. Thus the BIA in combination with a model which is similarly simple as the PwC model ("M" approach) could potentially be used, however, this alternative approach should not require calculating the HBS.	
1.507.	IFoA	Q38	Valuing the expected cash flows, allowing for affordability and credit risk, may be an appropriate method, but the IFoA considers that the methods and assumptions used to evaluate the various components of the HBS should depend on the purpose for which the HBS is being used. Consequently, we favour a principles-based approach with national supervisors giving guidance, where necessary, that takes account of local conditions. One feature we have observed from approaches that look only at planned contributions adjusted for credit risk is that the HBS does not balance because the planned contribution amounts do not include a margin for default.	Thank you for your comment.
1.508.	IVS	Q38	No, a separate and explicit valuation of the sponsor support using expected cash flows is not in general necessary (and often not possible with precision). Such explicit approaches raise significant practical problems. Especially in cases when the balancing item approach is applicable no explicit valuation on the basis of expected cash flows should be required. In order to achieve a market consistent valuation the balancing item approach is sufficiently accurate as also mentioned by EIOPA in 4.3 and should therefore be allowed for.	Thank you for your comment.

1.509.	Jane Marshall Consulting	Q38	The valuation of sponsor support (to the extent that it needs to be quantified) should be left national authorities.	Thank you for your comment.
1.510.	NAPF	Q38	<p>Q38: Do stakeholders agree that in order to achieve this market-consistent valuation, the expected cash flows required by the IORP should be valued allowing for affordability and credit risk of the sponsor? If not, what approach(es) 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>Again, more clarity is required about the meaning of 'market consistent'.</p> <p>In addition to valuing expected cash flows for affordability and credit risk, these should also be assessed in light of the sponsor's willingness to pay – a crucial factor that deserves a higher profile in the consultation paper.</p>	Thank you for your comment.
1.513.	Otto Group	Q38	No, a separate and explicit valuation of the sponsor support using expected cash flows is not necessary in general and often not possible with accurate precision and data.	Thank you for your comment.
1.515.	Pensioenfederatie	Q38	We seriously doubt whether it will be possible to develop the HBS into	Thank you for your

			<p>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 some allowance should be made for affordability and credit risk. However, we emphasize that it is difficult to get a good view on the sponsor's credit risk in case the sponsor is not rated. Apart from that, the enforcement of the sponsor commitment may also depend on his reported strength. Likewise it is not clear, what principles should be used for credit risk allowance and affordability in case of multi employer- and - sponsor IORPs.</p>	comment.
1.516.	PensionsEurope	Q38	<p>Do stakeholders agree that in order to achieve this market consistent valuation, the expected cash flows required by the IORP should be valued allowing for affordability and credit risk of the sponsor? If not, what approach(es) 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>	Thank you for your comment.

			<p>We agree that some allowance could be made for affordability and credit risk as they are important components of sponsor support.</p> <p>However, such explicit approach raises significant practical problems as already discussed with respect to the IORP QIS and the sponsor support discussion paper in 2013. We stress that it is difficult to get a good view on the credit risk of the sponsor in many cases (the main example being when the sponsor is not rated). Apart from that, the enforcement of the sponsor commitment may also depend on the reported strength of the sponsor. Likewise it is not clear what principle should be used for the allowance for credit risk and affordability in case of multi employer IORPs and multi IORP sponsors: In those cases, the law of large numbers tells us that the average of the results obtained from a large number of trials should be close to the expected value, and will tend to become closer as more trials are performed. As such it seems strange to rely on a value of sponsor support knowing that the figure is obtained by applying the credit risk on one single sponsor only. Furthermore the credit risk is often based on incomplete data. This seems to generate an artificial number giving no guarantee that the actual value will be close to the expected value. This approach only makes sense if it is used as a draft risk indicator and not as an accurate value as such.</p> <p>When possible, our suggestion would be to determine the sponsor support by default as the balancing item and to assess the sustainability/affordability afterwards either by use of an accurate valuation or by applying a simplified approach like for instance by use of PwC's suggestion to use "M" times the sponsor's strength. Given that the BIA is only allowed for if the strength of the sponsor is</p>	
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			checked the affordability of payments and the credit risk of the sponsor are (implicitly) considered. Thus the BIA in combination with a model which is similarly simple as the PwC model ("M" approach) could be potentially used. It should be very clear that the approach above all needs to be simple and proportionate.	
1.517.	PricewaterhouseCoopers	Q38	<p>Yes – but only if a market consistent valuation of sponsor support as outlined is actually necessary. We question whether it is necessary.</p> <p>We question what purpose is served by a calculation of the value of sponsor support, when a valuation of the maximum value of sponsor support would be far more informative for users. As defined in the guidance, a valuation of sponsor support is in fact just a present value calculation of the cash flows required to satisfy a technical provisions measure of the deficit. It is not a valuation of the sponsor. A sponsor's capacity to support may be greater than or less than the deficit, but why bother to do two calculations when the maximum value of sponsor support can capture affordability and credit risk?</p>	Thank you for your comment.
1.520.	RPTCL	Q38	No – we do not believe that a a discounted cash flow approach is practicable, valuable or proportionate unless the information is already available (for example, many – but not all – quoted companies). We believe that the approach for assessing (not valuing) sponsor support should be left for the IORP and sponsor to determine together considering all relevant factors "in the round".	Thank you for your comment.
1.521.	Siemens Pensionsfonds	Q38	No, a separate and explicit valuation of the sponsor support using expected cash flows is not necessary in general and often not possible with accurate precision and data.	Thank you for your comment.
1.522.	Society of Pension Professionals	Q38	Do stakeholders agree that in order to achieve this market consistent valuation, the expected cash flows required by the IORP should be	Thank you for your comment.

			<p>valued allowing for affordability and credit risk of the sponsor? If not, what approach(es) 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> <p>EIOPA has yet to convince us that it is possible to achieve a robust market consistent valuation.</p>	
1.523.	Towers Watson	Q38	<p>Do stakeholders agree that in order to achieve this market consistent valuation, the expected cash flows required by the IORP should be valued allowing for affordability and credit risk of the sponsor? If not, what approach(es) would you suggest?</p> <p>We agree that these factors need to be taken into account, but note that market consistent discount rates need to be allowed for when valuing these cashflows and the link between adverse credit scenarios</p>	Thank you for your comment.

			and market conditions should not be ignored.	
1.524.	United Utilities Group	Q38	Q38: Do stakeholders agree that in order to achieve this market-consistent valuation, the expected cash flows required by the IORP should be valued allowing for affordability and credit risk of the sponsor? If not, what approach(es) would you suggest?	
1.525.	ZVK-Bau	Q38	No. See our answer to Q37.	Thank you for your comment.
1.526.	OPSG	Q39	<p>The OPSG is of the view that the “sponsor support as a balancing item” should be the starting point of any valuation in the holistic framework because it is the most practical and feasible approach, as well as being compatible with the market consistent valuation, as identified by EIOPA.</p> <p>Rules would have to determine in what cases this starting point could be accepted without any further valuation, based on the proportionality principle. For example, in the case where the sponsor support is less than M times the value of the sponsor (M to be defined)</p>	Thank you for your comment.
1.527.	100 Group of Finance Directors	Q39	<p>Q39: What is the general view of stakeholders with regard to sponsor support as a balancing item?</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>As we set out in our General Comments, we do not believe that it is</p>	Thank you for your comment.

			<p>appropriate to set a single value for sponsor support. Whilst we do not agree that there is any need to introduce the holistic balance sheet, if it were to be introduced, then allowing for the sponsor support to be introduced simply as balancing item would be a sensible simplification.</p> <p>The approach proposed by EIOPA would require IORPs to meet some arbitrary hurdles before they could use the 'balancing item' approach. We believe, however, that it would be more useful for the 'balancing item' approach to be the default approach and it to be for individual IORPs (under the scrutiny of their national supervisors) to take the decision as to whether any more complex valuation is required.</p>	
1.528.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q39	<p>Given its serious concerns against a possible introduction of a HBS structure for IORPs, the aba would welcome the "balancing item approach" (BIA) in combination with a model which is similarly simple as the PwC model ("M" approach). This alternative approach should not require calculating the HBS, but rather rely on a simpler measure to check the sponsor value (e.g. using technical provisions, market capitalisation, total wages etc.). The BIA is practical to use in many circumstances, market consistent and reflects the essential notion of the function of sponsor support as a flexible asset to call upon when needed. If the sponsor (or other security mechanisms) is reliable the BIA should be used to value sponsor support.</p> <p>And we suggest – if the HBS should be introduced at all – that a strong sponsor proven by the PwC criteria or a multi-employer-scheme IORP should make up a case for the exemption from explicitly setting up a holistic balance sheet or measuring Solvency II-like risk based solvency capital requirements. At least significant easements of</p>	Thank you for your comment.

			<p>these regulatory concepts would be appropriate. The existing security mechanisms of IORPs should then not be seen as a part of the balance sheet or the SCR – they have a substitutional character that should replace the HBS and the SCR.</p> <p>The rationale is that in the cases of the application of the BIA the strength of the security mechanisms / sponsor support is actually proven and thus market consistent valuation of assets and liabilities (incl. using the risk free interest rates) is not needed anymore because the BIA is a flexible asset that fills any gap if needed. So this approach would consequently pursue the concept of the BIA which is also described by EIOPA (see 4.114.): "In some circumstances the strength of the sponsor may be sufficient so that a detailed approach to valuing that unlimited sponsor support may be disproportionate. In addition, the set up and legal structure of IORPs may mean that the valuation is unnecessary and does not provide useful information to the IORP and/or supervisor. In these circumstances, IORPs could follow the balancing item approach such that the value of sponsor support is simply the required amount to balance the holistic balance sheet."</p>	
1.529.	ACA	Q39	<p>Fully support this approach. The use of Sponsor Support as a balancing item is essential to the proportionality of any solvency framework for IORPs. Further, our view is that this approach should be used in all cases. Those managing IORPs and national competent authorities can then consider this in the context of risk management and any risk-based supervisory response</p>	Thank you for your comment.
1.530.	Actuarial Association of Europe	Q39	<p>We agree that the principle of proportionality should be applied to the sponsor support valuation, and that redundant calculations should be avoided where it is reasonably clear that the range of results they can</p>	Thank you for your comment.

			produce will be immaterial. So we are comfortable with the concept of sponsor support being a balancing item when it has been established that the IORPs' credit risk exposure to the sponsor is immaterial (this credit exposure will be a function of both the credit quality of the sponsor and the size of any deficit that the IORP has).	
1.531.	AEIP	Q39	<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 support the balancing item approach under the conditions described in Q40.</p>	Thank you for your comment.
1.532.	ALSTOM	Q39	<p>Q39: What is the general view of stakeholders with regard to sponsor support as a balancing item?</p> <p>The use of Sponsor Support as a balancing item is essential to the proportionality of any solvency framework for IORPs. Further, our view is that this approach should be used in all cases. Those managing IORPs and national competent authorities can then consider this in the context of risk management and any risk-based supervisory response</p>	Thank you for your comment.

1.533.	Aon Hewitt	Q39	The Balancing Item approach would work well for many sponsors, especially strong sponsors. However it may well be inappropriate for weak sponsors and further work would then be needed to assess what sponsor support is available from weak sponsors.	Thank you for your comment.
1.534.	Association of Pension Lawyers	Q39	We are of the view that sponsor support should be a balancing item.	Thank you for your comment.
1.536.	Atradius Credit Insurance NV	Q39	The use of Sponsor Support as a balancing item is essential to the proportionality of any solvency framework for IORPs. Further, our view is that this approach should be used in all cases. Those managing IORPs and national competent authorities can then consider this in the context of risk management and any risk-based supervisory response.	Thank you for your comment.
1.537.	BAPI	Q39	<p>Q39: What is the general view of stakeholders with regard to sponsor support as a balancing item?</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>	Thank you for your comment.

			This idea is very much welcomed by smaller and medium sized IORPs. This will often avoid complex calculations as well as costs for professional knowledge and expertise. It can be considered to make this the default option.	
1.538.	Barnett Waddingham LLP	Q39	Yes, we support an approach where the value of sponsor support is simply taken as the balancing item.	Thank you for your comment.
1.539.	BASF SE	Q39	We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept sponsor support should be dealt as a balancing item.	Thank you for your comment.
1.540.	Better Finance	Q39	Better Finance thinks that as the promised benefits is a joint promise of a sponsor and managed (and delivered) by IORP, sponsor support as a balancing item should be the starting point of any valuation in the holistic framework. However, IORPs should be the first responsible for closing the gap on the HBS using "standard" measures and should not to overwhelmingly rely on the sponsor support.	Thank you for your comment.
1.542.	British Telecommunications plc	Q39	<p>Q39: What is the general view of stakeholders with regard to sponsor support as a balancing item?</p> <p>The use of Sponsor Support as a balancing item is essential to the proportionality of any solvency framework for IORPs. This approach should be used in all cases. Those managing IORPs and national competent authorities can then consider this in the context of risk management and any risk-based supervisory response.</p> <p>It is not appropriate to set a single value for sponsor support. Whilst we do not agree that there is any need to introduce the holistic balance sheet, if it were to be introduced, then allowing for the</p>	Thank you for your comment.

			<p>sponsor support to be introduced simply as balancing item would be a sensible simplification.</p> <p>The approach proposed by EIOPA would require IORPs to meet some arbitrary hurdles before they could use the 'balancing item' approach. It would be more useful for the 'balancing item' approach to be the default approach and it to be for individual IORPs (under the scrutiny of their national supervisors) to take the decision as to whether any more complex valuation is required.</p>	
1.543.	Candriam	Q39	<p>What is the general view of stakeholders with regard to sponsor support as a balancing item?</p> <p>Should sponsor support be valued, we believe balancing item is essential for proportionality reasons. In many cases, a valuation exercise will not give more insight than a simple balancing item, either because the results will be around the same or because the valuation is flawed.</p>	Thank you for your comment.
1.544.	Compass Group PLC	Q39	<p>Q39: What is the general view of stakeholders with regard to sponsor support as a balancing item?</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>	Thank you for your comment.

			<p>As we set out in our General Comments, we do not believe that it is appropriate to set a single value for sponsor support. Whilst we do not agree that there is any need to introduce the holistic balance sheet, if it were to be introduced, then allowing for the sponsor support to be introduced simply as balancing item would be a sensible simplification.</p> <p>The approach proposed by EIOPA would require IORPs to meet some arbitrary hurdles before they could use the 'balancing item' approach. We believe, however, that it would be more useful for the 'balancing item' approach to be the default approach and it to be for individual IORPs (under the scrutiny of their national supervisors) to take the decision as to whether any more complex valuation is required.</p>	
1.545.	D & L Scott	Q39	<p>Sponsor support may be considered as a «balancing item» in the context of a balance sheet approach, but I would suggest a different analysis should be applied in the context of a cash flow forecasting approach. More attention in the latter needs to be given to the potential of the investment portfolio to pay benefits as they fall due.</p> <p>The balancing items in a cash flow approach include the ability to realise assets at the margin to supplement investment income and other contributions.</p>	Thank you for your comment.
1.546.	EAPSPI	Q39	<p>In spite of its serious concerns against a possible introduction of a HBS-structure for IORPs, EAPSPI in general welcomes the official introduction of the "balancing item approach" (BIA) in combination with the simplified and heuristic check of sponsor strength by using PwC's "M" approach because the BIA reflects the essential notion of</p>	Thank you for your comment.

			<p>the function of sponsor support as a flexible asset to call upon when needed.</p> <p>However, EAPSPI strongly suggests – if the HBS should be introduced at all – that in case of a strong sponsor (or other security mechanism) or multi-employer-scheme (MES) IORPs this should constitute a truly exceptional case that should release from explicitly setting up a holistic balance sheet or Solvency II-like risk based solvency capital requirements. The rationale is that, in the cases of the application of the BIA, the strength of the security mechanisms / sponsor support is actually proven and thus market consistent valuation (including using risk free interest rates) is not needed any more because the strength of the sponsor avoids the necessity of a transfer of the IORP's assets and liabilities and further concrete quantifications seem to be superfluous. The BIA describes simply that sponsor support is a flexible asset that fills the gap if needed. This approach is also described by EIOPA (see 4.114.): "In some circumstances the strength of the sponsor may be sufficient so that a detailed approach to valuing that unlimited sponsor support may be disproportionate. In addition, the set up and legal structure of IORPs may mean that the valuation is unnecessary and does not provide useful information to the IORP and/or supervisor. In these circumstances, IORPs could follow the balancing item approach such that the value of sponsor support is simply the required amount to balance the holistic balance sheet." Especially in the case of MES the BIA captures the notion that a large number of sponsors in the end is in charge of the settlement of pension claims (= HBS) and also serves as cushion for adverse developments (=SCR). This illustrates the flexibility of the sponsor support of MES IORPs and delivers a flexible protection of pension claims with solidarity.</p>	
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			<p>To explain our position in more detail: The “balancing item approach” in particular for sponsor support shows the paradoxical character of the HBS as it reveals that the HBS in case of MES IORPs with strong sponsors and strong solidarity elements will always balance. The very fundamental notion behind the BIA is that the sponsor in the end is in charge of the settlement of pension claims (= HBS) and also serves as cushion for adverse developments (=SCR) illustrating the flexibility of the existing security mechanisms. With the suggested principle 2 (PwC’s “M”) to apply the proportionality principle it can be demonstrated that the sponsor(s) will be indeed able to step in when needed – thus the HBS is not needed any more, neither will market consistent valuation for the case of transfer as this transfer will not be necessary.</p> <p>Thus we draw a different conclusion based on these notions: namely, if the quality of sponsor support is proven by the PwC criteria, no HBS and SCR for IORPs is needed because the security mechanisms of IORPs as “holistic assets” or – speaking with EIOPA’s terminology – as balancing items, deliver a flexible insolvency protection. The existing security mechanisms of IORPs should therefore not be seen as a part of the balance sheet or the solvency capital to fulfil the SCR within the Solvency II structure – they have a substitutional character that replaces the HBS and the SCR. Therefore this constitutes truly exceptional cases that should release IORPs from a Solvency II-like risk based regulatory regime.</p> <p>Using EAPSPI’s suggested approach would avoid several problems:</p> <p><input type="checkbox"/> No concrete measurement is necessary if more than one mechanism is available to be used as balancing item (see 4.5 of Consultation Document which suggests that i.e. the sponsor support of a strong sponsor must be concretely valued using one of the other</p>	
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			<p>valuation methods if also a pension protection scheme (PPS) as balancing item of last resort security mechanism exists)</p> <p><input type="checkbox"/> the specific characteristics of IORPs would not be conceptualized and quantified inadequately as additional financial assets leading to procedures which are much too complex:</p> <p>1) The HBS perspective generally equates IORPs with insurance undertakings, respecting differences only as new assets put on top of the same basic structure. However, this perspective neglects the structural differences between IORPs and insurance undertakings due to the fact that in the case of occupational pensions there is a 3-party relationship (employer, employee and IORP) providing for a flexible and efficient structure for securing employees' claims.</p> <p>2) This structural difference changes the starting point for regulating IORPs: The idea of the "back up facility" sponsor support and pension protection scheme is that they step in when they are needed no matter if the development is "normal" (HBS) or "stressed" (SCR). The differentiation of the value of the security mechanisms in the HBS in "normal times" and their loss-absorbing capacity in "stress situations" in the SCR seems artificial. This dichotomy is necessary only because of conceptualizing sponsor support and pension protection scheme as financial assets that have to fit into the Solvency II structure and once more underlines that this structure is not adequate for the regulation of IORPs. Dividing the security mechanisms in this way is unnecessary and leads to avoidable complexity.</p>	
1.547.	EEF	Q39	<p>We agree with the principle of sponsor support being used as a balancing item. Indeed, we think it should be the default.</p>	<p>Thank you for your comment.</p>

			<p>There is a paradox at the heart of the proposal that it is only in cases where sponsors meet certain criteria (the 'proportionality principle' criteria) that their support can be treated as a balancing item on the HBS (thus avoiding the complexity and cost of the HBS calculations). However, it is likely that these are the organisations most likely to be able to afford the costs of the exercise; smaller sponsors will have to find those resources and manage those complexities.</p> <p>It would be preferable therefore to identify criteria for when a sponsor's support ought not to be used as a balancing item, rather than the other way round. This approach would decrease the number of occasions when the highly expensive HBS methodology needs to be applied.</p>	
1.548.	Eversheds LLP	Q39	<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 supports the proposal of allowing sponsors that meet the 'proportionality principle' criteria to use sponsor support as a balancing item. Where this applies, the complexity and cost involved in calculating the holistic balance sheet would be significantly reduced.</p> <p>Indeed, Eversheds would urge EIOPA to go further and allow the use of sponsor support as a balancing item to be the default approach for all IORPs unless those running the IORP decide otherwise.</p>	Thank you for your comment.

			<p>If EIOPA does not take this default approach, then the use of sponsor support as a balancing item is likely to be of greatest use to the larger schemes that have the resources to carry out the work required to demonstrate that they meet the criteria (as defined by Principles 1 to 3).</p> <p>Other schemes, however, would still face a very demanding task in valuing sponsor support. Given that these are likely to be the smaller schemes and/or schemes with weaker sponsors, it will be important to keep the process as simple and low-cost as possible.</p>	
1.549.	FFSA	Q39	Sponsor support should be a balancing item if it is legally enforceable when it has been established that there is no IORPs' credit risk exposure to the sponsor.	Thank you for your comment.
1.550.	FSUG	Q39	FSUG thinks that as the promised benefits is a joint promise of a sponsor and managed (and delivered) by IORP, sponsor support as a balancing item should be the starting point of any valuation in the holistic framework. However, IORPs should be the first responsible for closing the gap on the HBS using "standard" measures and should not to overwhelmingly rely on the sponsor support.	Thank you for your comment.
1.551.	GDFSUEZ	Q39	<p>Q39: What is the general view of stakeholders with regard to sponsor support as a balancing item?</p> <p>The use of Sponsor Support as a balancing item is essential to the proportionality of any solvency framework for IORPs. Further, our view is that this approach should be used in all cases. Those managing IORPs and national competent authorities can then consider this in the context of risk management and any risk-based supervisory response</p>	Thank you for your comment.
1.552.	GDV	Q39	What is the general view of stakeholders with regard to sponsor	Thank you for your

			<p>support as a balancing item?</p> <p>In general, the balancing item approach is a useful simplification. The GDV believes that a broader definition of balancing item is appropriate. Since the holistic balance sheet does not solely reflect the risks borne by IORPs but rather considers the part of pension promise implemented through the IORP from the point of view of members and beneficiaries, all parties that safeguard the pension obligations should be considered. Therefore, the definition should not be restricted to sponsoring undertakings but also include all third parties that safeguard the pension promise, depending on their default rate and/or strength. Competent authorities should be empowered to decide upon the application of the balancing item in each case.</p> <p>In any case, the question arises, whether it makes sense to calculate the capital requirements according to the HBS if the balancing item approach applies. Moreover, the calculation of SCR does not add additional value in this case: such a balance sheet seems to be more appropriate as a transparency tool for sponsors, members and beneficiaries. The exact risk exposure of the IORP should be at least defined in the dialogue between the IORP, its sponsors and the competent authorities.</p>	comment.
1.553.	GE	Q39	<p>What is the general view of stakeholders with regard to sponsor support as a balancing item?</p> <p>The use of Sponsor Support as a balancing item is essential to the proportionality of any solvency framework for IORPs. Further, our view is that this approach should be used in all cases. Those managing IORPs and national competent authorities can then consider this in the</p>	Thank you for your comment.

			<p>context of risk management and any risk-based supervisory response.</p> <p>Assessment of sponsor support needs to take account of the complexity of corporate group structures where they operate across a number of countries, which may not be covered by IORP and there are a number of participating employers which may be supported by a wider parent company guarantee.</p>	
1.554.	GE Pension Trustees Limited	Q39	<p>What is the general view of stakeholders with regard to sponsor support as a balancing item?</p> <p>As noted in the General Comment section, we do not believe that the introduction of the HBS concept outlined in the consultation paper provides any demonstrable benefits to either the managers of the IORP or to the members themselves.</p> <p>However, in the event that the HBS is imposed by the EU, the use of Sponsor Support as a balancing item is essential to the proportionality of any solvency framework for IORPs. Further, our view is that this approach should be used in all cases. Those managing IORPs and national competent authorities can then consider this in the context of risk management and any risk-based supervisory response.</p> <p>Any assessment of sponsor support needs to be both pragmatic and proportionate, in the context of the potential complexity of many corporate group structures. This is especially the case for corporate entities operating across a number of countries, even if the IORP itself only covers employees in a single country.</p>	Thank you for your comment.

1.556.	Heathrow Airport Limited	Q39	<p>Q39: What is the general view of stakeholders with regard to sponsor support as a balancing item?</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>As we set out in our General Comments, we do not believe that it is appropriate to set a single value for sponsor support. Whilst we do not agree that there is any need to introduce the holistic balance sheet, if it were to be introduced, then allowing for the sponsor support to be introduced simply as balancing item would be a sensible simplification.</p> <p>The approach proposed by EIOPA would require IORPs to meet some arbitrary hurdles before they could use the 'balancing item' approach. We believe, however, that it would be more useful for the 'balancing item' approach to be the default approach and it to be for individual IORPs (under the scrutiny of their national supervisors) to take the decision as to whether any more complex valuation is required.</p>	Thank you for your comment.
1.557.	Hoechst-Gruppe VVaG	Q39	<p>Given its serious concerns against a possible introduction of a HBS structure for IORPs, we would welcome the "balancing item approach" (BIA) in combination with a model which is similarly simple as the PwC</p>	Thank you for your comment.

			<p>model ("M" approach). This alternative approach should not require calculating the HBS, but rather rely on a simpler measure to check the sponsor value (e.g. using technical provisions, market capitalisation, total wages etc.). The BIA is practical to use in many circumstances, market consistent and reflects the essential notion of the function of sponsor support as a flexible asset to call upon when needed. If the sponsor (or other security mechanisms) is reliable the BIA should be used to value sponsor support.</p> <p>And we suggest – if the HBS should be introduced at all – that a strong sponsor proven by the PwC criteria or a multi-employer-scheme IORP should make up a case for the exemption from explicitly setting up a holistic balance sheet or measuring Solvency II-like risk based solvency capital requirements. At least significant easements of these regulatory concepts would be appropriate. The existing security mechanisms of IORPs should then not be seen as a part of the balance sheet or the SCR – they have a substitutional character that should replace the HBS and the SCR.</p> <p>The rationale is that in the cases of the application of the BIA the strength of the security mechanisms / sponsor support is actually proven and thus market consistent valuation of assets and liabilities (incl. using the risk free interest rates) is not needed anymore because the BIA is a flexible asset that fills any gap if needed. So this approach would consequently pursue the concept of the BIA which is also described by EIOPA (see 4.114.): "In some circumstances the strength of the sponsor may be sufficient so that a detailed approach to valuing that unlimited sponsor support may be disproportionate. In addition, the set up and legal structure of IORPs may mean that the valuation is unnecessary and does not provide useful information to the IORP and/or supervisor. In these circumstances, IORPs could</p>	
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			follow the balancing item approach such that the value of sponsor support is simply the required amount to balance the holistic balance sheet."	
1.558.	IFoA	Q39	The balancing item approach may be an appropriate method, but the IFoA considers that the methods and assumptions used to evaluate the various components of the HBS should depend on the purpose for which the HBS is being used. Consequently, we favour a principles-based approach with national supervisors giving guidance, where necessary, that takes account of local conditions.	Thank you for your comment.
1.559.	IVS	Q39	We think that the approach of simply applying sponsor support as a balancing item is eminently reasonable if the conditions for being able to do so exist.	Thank you for your comment.
1.560.	Jane Marshall Consulting	Q39	Sponsor support is of course a balancing item .	Thank you for your comment.
1.562.	Lincoln Pensions Limited	Q39	<p>What is the general view of stakeholders with regard to sponsor support as a balancing item?</p> <p><input type="checkbox"/> We consider sponsor support as a balancing item to be helpful if the aim of the HBS is to provide a guide for supervisors. On the other hand, if the aim is for the holistic balance sheet to be useful to IORPS or drive funding requirements, then sponsor support as a balancing item does not seem to provide additional insight or support for an individual IORP to use in decision making.</p> <p><input type="checkbox"/> Various regimes in the EU (including the UK) recognise this distinction between supervisory oversight and the needs of IORPs by using different benchmarking methods for sponsor support in the</p>	Thank you for your comment.

			<p>different situations.</p> <p><input type="checkbox"/> The implementation of the HBS and the possible requirements for IORP funding levels should therefore drive the implementation of such considerations as sponsor support as a balancing item.</p>	
1.564.	NAPF	Q39	<p>Q39: What is the general view of stakeholders with regard to sponsor support as a balancing item?</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 supports the proposal of allowing sponsors that meet the ‘proportionality principle’ criteria to use sponsor support as a balancing item. For these schemes, the complexity and cost involved in calculating the Holistic Balance Sheet would be significantly reduced.</p> <p>Ideally, the NAPF would urge EIOPA to go further and allow the use of sponsor support as a balancing item to be the default approach for all schemes. If this is not possible, then Member States should be allowed to determine when the balancing item approach could be used.</p> <p>If EIOPA does not take this approach, then the use of sponsor support as a balancing item is likely to be of greatest use to the larger schemes that have the resources to carry out the work required to</p>	Thank you for your comment.

			demonstrate that they meet the criteria (as defined by Principles 1 to 3).	
1.566.	Nematrion	Q39	<p>See our general comments. We think that the idea of allowing sponsor support to provide a balancing item should be benchmarked against the security that the sponsor support offers in conjunction with other security mechanisms. Assets built up within the IORP should be viewed as just another such security mechanism for this purpose. As long as the overall level of security is sufficiently good (with this security ideally being measured by reference to the spread versus risk free implied on the relevant liabilities) then the sponsor support (or indeed any other security mechanism present) should be allowed to provide the balancing item. This would seem to imply that treatment of sponsor support should take into account all of the following and not just one or both of the Principles mentioned in the preceding paragraphs:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The expected (longer-term) default rate of the sponsor (Principle 1) <input type="checkbox"/> The size of the sponsor in relation to the IORP shortfall (Principle 2) <input type="checkbox"/> The size of the IORP shortfall in relation to the IORP's overall liabilities (i.e. how close the HBS was to balancing without allowing for sponsor support) <input type="checkbox"/> The extent to which the security is enhanced by the presence of other security mechanisms 	Thank you for your comment.

1.569.	Pensioenfederatie	Q39	<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 the balancing item approach under the conditions described in Q40, namely that the balancing item approach only works for IORPs that have unlimited sponsor support and do not use sponsor support in tandem with other security mechanisms.</p>	Thank you for your comment.
1.570.	PensionsEurope	Q39	<p>What is the general view of stakeholders with regard to sponsor support as a balancing item?</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 supports the proposal of allowing sponsors that meet the 'proportionality principle' criteria to use sponsor support as a</p>	Thank you for your comment.

			<p>balancing item in combination with a model which is similarly simple as the PwC model ("M" approach) could potentially be used. For these schemes, the complexity and the costs implied by calculating the Holistic Balance Sheet would be significantly reduced. The BIA is practical to use in many circumstances, is market consistent and reflects the essential notion of the function of sponsor support as a flexible asset to call upon when needed. If the sponsor (or other security mechanisms) is reliable the BIA should be used to value sponsor support.</p> <p>Ideally, PensionsEurope would urge EIOPA to go further and allow, when possible, the use of sponsor support as a balancing item to be the default approach i.e the starting point of any valuation for all schemes in the holistic framework.</p> <p>If EIOPA does not take this default approach, then the use of sponsor support as a balancing item is likely to be of greatest use to the larger schemes that have the resources to carry out the work required to demonstrate that they meet the criteria (as defined by Principles 1 to 3). Other schemes, however, would still face a very demanding task in valuing sponsor support. Given that these are likely to be the weaker schemes, it will be important to keep the process as simple and low-cost as possible.</p> <p>We suggest – if the HBS were to be introduced at all – that a strong sponsor proven by the PwC criteria or a multi-employer-scheme IORP should make up a case for the exemption from explicitly setting up a holistic balance sheet or measuring risk-based solvency capital requirements. At least significant easements of these regulatory concepts would be appropriate.</p>	
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			<p>The rationale is that in the cases of the application of the BIA, the strength of the security mechanisms / sponsor support is actually proven and thus market consistent valuation of assets and liabilities (incl. using the risk free interest rates) is not needed anymore because the BIA is a flexible asset that fills any gap if needed. So this approach would simply think out consequently the concept of the BIA which is also described by EIOPA (see 4.114.): "In some circumstances the strength of the sponsor may be sufficient so that a detailed approach to valuing that unlimited sponsor support may be disproportionate. In addition, the set up and legal structure of IORPs may mean that the valuation is unnecessary and does not provide useful information to the IORP and/or supervisor. In these circumstances, IORPs could follow the balancing item approach such that the value of sponsor support is simply the required amount to balance the holistic balance sheet."</p>	
1.571.	PERNOD-RICARD	Q39	<p>Q39: What is the general view of stakeholders with regard to sponsor support as a balancing item?</p> <p>The use of sponsor support as a balancing item is essential to the proportionality of any solvency framework for IORPs. Further, our view is that this approach should be used in all cases. Those managing IORPs and national competent authorities can then consider this in the context of risk management and any risk-based supervisory response.</p>	Thank you for your comment.
1.572.	PricewaterhouseCoopers	Q39	<p>A balance sheet which doesn't balance is something which we struggle with conceptually. Surely a principle objective of a holistic balance sheet exercise should ultimately be to achieve a balance, whether that is by reducing the liabilities or by reflecting relevant assets / support</p>	Thank you for your comment.

			<p>mechanisms. To the extent that a shortfall in the asset side of the HBS can be remedied by including a balancing item for sponsor support which is less than or equal to the maximum value of sponsor support, that would seem like a sensible and proportional thing to do.</p> <p>With respect to paragraph 4.127, some of the valuation methods suggested to assess the maximum value of sponsor support are not theoretically sound. For example, an accounting measure of shareholders' funds may bear no relation to the sponsor's value. Similarly, the workforce measure has no basis in any valuation theory we are aware of. For listed sponsors we suggest that it would be sufficient to use market capitalisation. For unlisted sponsors (the majority) the simplest methodology would be a market multiples approach as used throughout the financial community. In circumstances where such an approach still did not provide a sufficiently reliable valuation, the next step would be a discounted cash flow approach. These approaches are explained in our paper "PwC research, in Institute and Faculty of Actuaries, Options for assessing employer covenant and the holistic balance sheet, Research Report, January 2013, Edinburgh/London".</p>	
1.573.	Punter Southall	Q39	<p>We support this approach, although we note that the thresholds for adopting this approach seem somewhat arbitrary and we recommend that these thresholds are set by individual member states/supervisors.</p>	Thank you for your comment.
1.576.	RPTCL	Q39	<p>We believe that the approach for considering sponsor support should be left for the IORP and sponsor to determine together considering all relevant factors "in the round".</p> <p>Notwithstanding that we believe that the use of a holistic balance sheet for scheme funding purposes or regulatory reporting is fundamentally flawed as it pertains to sponsor support, if it were to be</p>	Thank you for your comment.

			<p>enforced, then the “balancing item” approach may be applicable if it is (i) simple and straightforward to implement and (ii) meaningful. The approach in “Principle 1” appears to us to apply to rated sponsors – and the vast majority of the 150 employers sponsoring sections of the Railways Pension Scheme are not rated. Further, even after the application of the formula, 4.122 still requires demonstration of the sponsor being able to meet the value for sponsor support on the holistic balance sheet. “Principle 2” would be subject to huge potential variations depending on the values ascribed to assets and liabilities (for example, intra-group items). In our view, it is impossible and meaningless to stipulate a value for M without considering the value, nature, quality and recoverability of the relevant assets and liabilities. In addition, this does not address the issues of sponsors with multiple IORPs or the other complexities noted at 4.100.</p>	
1.577.	Society of Pension Professionals	Q39	<p>What is the general view of stakeholders with regard to sponsor support as a balancing item?</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,</p>	Thank you for your comment.

			<p>effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>Ultimately this is the only logical step if a valuation of sponsor support is to be included in a HBS (or similar framework). It is a matter for national competent authorities and Governments of individual Member States to determine how those managing IORPs and those supervising them should consider using this information.</p>	
1.579.	Towers Watson	Q39	<p>What is the general view of stakeholders with regard to sponsor support as a balancing item?</p> <p>We believe that this is the only pragmatic workable solution for the valuation of sponsor support due to the diversity and complexity of the scenarios faced by IORPs and their sponsors.</p>	Thank you for your comment.
1.580.	United Utilities Group	Q39	<p>Q39: What is the general view of stakeholders with regard to sponsor support as a balancing item?</p> <p>As we set out in our General Comments, we do not believe that it is appropriate to set a single value for sponsor support. Whilst we do not agree that there is any need to introduce the holistic balance sheet, if it were to be introduced, then allowing for the sponsor support to be introduced simply as balancing item would be a sensible simplification and allow the pension scheme to see the size of the covenant support that it is relying on. It can then take this into account in its funding and investment decisions. This is the how UK pensions schemes currently operate.</p> <p>The approach proposed by EIOPA would require IORPs to meet some arbitrary hurdles before they could use the 'balancing item' approach.</p>	Thank you for your comment.

			We believe, however, that it would be more useful for the 'balancing item' approach to be the default approach and it to be for individual IORPs (under the scrutiny of their national supervisors) to take the decision as to whether any more complex valuation is required.	
1.581.	USS Limited	Q39	<p>Within the UK, sponsors of DB pension schemes have a legally enforceable obligation to fund IORPs and this is reflected in the concept of a balancing item approach. Whilst we question the necessity of a specified and documented HBS approach (see questions 72 and 73, which confirm that an integrated funding approach operates in the UK), if it was to be introduced, we would welcome this simplification. However, we have concerns about how this will work in practice.</p> <p>Pension Protection Scheme</p> <p>Principle 3 refers to the use of pension protection systems. Within the UK the Pension Protection Fund (PPF) offers security to members when a scheme sponsor becomes insolvent. Although this security may not be realised until the point of insolvency, and there is a substantial cap on the benefits covered, it is an important mechanism that must be recognised in any potential HBS.</p> <p>Sponsor support</p> <p>The objective of the balancing item approach would appear to allow schemes to recognise sponsor support within the HBS in a proportionate manner. However, it is not entirely clear that principles 1 (default rate of sponsor) and 2 (strength of sponsor) would offer any simplification in practice. Using the balancing item as the default approach for sponsor support would appear to be the most appropriate</p>	Thank you for your comment.

			methodology for the HBS.	
1.582.	ZVK-Bau	Q39	Apart from the overall unfitting concept of the HBS for our scheme we welcome regarding sponsor support as a balancing item. But only together with the "M concept" and the possibility to use total wages within this concept we agree that EIOPA might have found a way to circumvent all of the difficulties to calculate sponsor support of an industry-wide multi employer scheme like ours.	Thank you for your comment.
1.583.	OPSG	Q40	The OPSG supports the overall approach set out in paragraphs 4.115 to 4.133 to treating sponsor support as a balancing item. All conditions are legitimate in certain circumstances and should therefore equivalently be considered in the regulatory framework	Thank you for your comment.
1.584.	100 Group of Finance Directors	Q40	<p>Q40: Which conditions should apply for sponsor support to be treated as a balancing item?</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>We believe that it would be more useful for the 'balancing item' approach to be the default approach and it to be for individual IORPs (under the scrutiny of their national supervisors) to take the decision as to whether any more complex valuation is required.</p>	Thank you for your comment.
1.585.	aba	Q40	Given the general rejection of the HBS as a regulatory tool for IORPs,	Thank you for your

	Arbeitsgemeinschaft für betriebliche Altersve		<p>the aba supports the listed conditions for sponsor support to qualify as balancing item (see 4.4). All conditions are legitimate in certain circumstances und should therefore equivalently be considered in the regulatory framework.</p> <p>In particular we would welcome the concept of the balancing item in combination with a model which is similarly simple as the PwC model ("M" approach), however, this alternative approach should not require calculating the HBS (for the "M" approach this is needed), but rather rely on a simpler measure (e.g. using technical provisions, market capitalisation, total wages etc.).</p> <p>If the HBS should be introduced at all, we think this approach would be practicable and efficiently to implement for a broad range of sponsors especially with respect to using total wages as proxy for not-for-profit sponsors (public sector, charities, etc.) that do not have values like market capitalization or other suitable financial metrics (4.127, 4.200 and the rationale in 4.229) or industry wide funds. Using the value "2" for M could to be appropriate.</p> <p>But we are very critical with respect to the requirement that IORP shall demonstrate that default rate of the sponsor (4.124) or PwC's M value of the sponsor (see 4.131) is likely to be stable over time. It is questionable how IORPs can practically fulfill this requirement given that even professional rating agencies have to adjust their ratings from time to time.</p>	comment.
1.586.	Actuarial Association of Europe	Q40	The conditions described in section 4.121 are quite broad. The explanation in the paragraph is somewhat confusing: an asset with a	Thank you for your comment.

			<p>1-year default rate of <0.5% does not have zero economic capital requirement under Solvency II or any 1-year 99.5% market value VaR measure (as the value of the asset may be reduced by a deterioration in credit quality over the 1-year risk horizon).</p> <p>Paragraph 4.124 tries to address this point by suggesting that another condition that should be met is that the default rate of the sponsor must also be likely to remain stable over time. This is generally not how credit ratings work: if such a condition were met, the asset would have a higher credit rating!</p> <p>We therefore caution that further careful analysis is performed before setting the credit rating 'hurdle' for the assumption of full loss-absorbency at as low as a BBB credit rating. It should be noted that assuming a long-term BBB credit risk is risk-free will overstate its value materially (i.e. by 10%-20%).</p>	
1.587.	AEIP	Q40	<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>	Thank you for your comment.

			In order to use sponsor support as balancing item, most of the approaches provided for by EIOPA could be regarded as way too complicated. There should be further work to find easier ways. Only the “M” approach, especially if combined with the wage sum, seems to be an easy enough approach for small and medium sized IORPs to demonstrate sponsor support’s value.	
1.588.	AGV Chemie	Q40	Legally enforceable sponsor support like in Germany should be treated as a balancing item.	Thank you for your comment.
1.589.	Aon Hewitt	Q40	This is likely to need to be determined on a case by case basis. It will depend on the underlying industry and nature of the sponsor’s business activities.	Thank you for your comment.
1.590.	Association of Pension Lawyers	Q40	<p>1. Interestingly, here is the potential carve-out of full HBS compliance where a pension protection scheme exists. On the face of it this would seem sensible to explore from a UK perspective given that the other suggested conditions of proportionality, namely:</p> <p>a) Sponsor support as the balancing item depending on the default rate of the sponsor; and</p> <p>b) Sponsor support as the balancing item depending on the strength of the sponsor;</p> <p>are in effect considered by the UK’s Pension Protection Fund in establishing levy payments.</p> <p>2. Compare this with paras 5.46 onwards which look to the possibility of excluding recognition of pension protection schemes from the HBS.</p> <p>3. It would seem that, depending on the purpose of the HBS, both legally binding and non-legally binding sponsor support should be taken into account in the HBS.</p>	Thank you for your comment.

1.591.	Atradius Credit Insurance NV	Q40	<p>Sponsor support should be treated as a balancing item where there is clear evidence available to those managing IORPs and national competent authorities that the value of the legally enforceable sponsor support is greater than any potential shortfall in the HBS (however that is assessed) and/or where performing a more detailed calculation of the value of sponsor support would be disproportionate to the net benefit of such an assessment.</p> <p>There will need to be a range of conditions available to assess eligibility of sponsor support as a balancing item, reflecting the particular circumstances of each country and the different characteristics of IORPs, for example those in the not-for-profit sector, IORPs with multiple sponsors and cases where the sponsor stands behind several IORPs. As such, it should be left to national supervisors to determine the criteria and metrics to be used in assessing eligibility for treating sponsor support as a balancing item.</p> <p>In the UK, it may be possible to use probabilities of default/insolvency, such as those derived by the Pension Protection Fund (PPF) for the purposes of determining annual PPF levies, in order to assess the strength of sponsor support, which as suggested could form a criterion for establishing the balancing item requirement.</p>	Thank you for your comment.
1.592.	BAPI	Q40	<p>Q40: Which conditions should apply for sponsor support to be treated as a balancing item?</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</p>	Thank you for your comment.

			<p>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 that the use of the balancing item approach should be as flexible as possible. Currently we understand that the balancing item approach for sponsor support can only be used in case of unlimited sponsor support and if no ex-ante benefit reduction mechanisms exist.</p> <p>We would keep the existing principles of proportionality: based on sponsor default rate, based on sponsor strength, in case of the existence of a pension protection scheme. Other alternatives should be possible as well – we believe it is up to the national supervisory authority to take a final agreement on the suggested approach.</p>	
1.593.	Barnett Waddingham LLP	Q40	We believe that any conditions should be set by national regulators who will have an understanding of the appropriate background.	Thank you for your comment.
1.594.	BASF SE	Q40	We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept legally enforceable sponsor support as in Germany should be treated as a balancing item as well as where a sponsor has economic strength and proven via recovery payments in the past its willingness to make up for funding shortfalls. However, the principles and/or criteria for determinant when sponsor support should be treated as a balancing item must be left to the member states because they know their	Thank you for your comment.

			occupational pension frameworks best and can therefore define the most useful and reasonable solutions.	
1.595.	BDA	Q40	Legally enforceable sponsor support like in Germany should be treated as a balancing item.	Thank you for your comment.
1.596.	Better Finance	Q40	Principle 1 should be used for valuation of sponsor support in any cases. Principle 2 might lead (even with higher multiple "M") to misleading presentation of a real sponsor support via derivative ways of presenting his strength. If the Principle 2 should be used, then the sponsor must present his support on his balance sheet (as a liability).	Thank you for your comment.
1.598.	British Telecommunications plc	Q40	<p>Q40: Which conditions should apply for sponsor support to be treated as a balancing item?</p> <p>Sponsor support as the 'balancing item' should be the default approach and it to be for individual IORPs (under the scrutiny of their national supervisors) to take the decision as to whether any more complex valuation is required.</p>	Thank you for your comment.
1.599.	Candriam	Q40	<p>Which conditions should apply for sponsor support to be treated as a balancing item?</p> <p>No condition should necessarily apply, or this should be left to member states choice.</p> <p>However, a general assessment of the sponsor support to the scheme (not only the financial capacity but also the means devoted to ensure benefits will actually be paid), among other aspects, could be included</p>	Thank you for your comment.

			to evaluate the soundness of a recovery plan. It is already the case in several countries in Europe.	
1.600.	Compass Group PLC	Q40	<p>Q40: Which conditions should apply for sponsor support to be treated as a balancing item?</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>We believe that it would be more useful for the 'balancing item' approach to be the default approach and it to be for individual IORPs (under the scrutiny of their national supervisors) to take the decision as to whether any more complex valuation is required.</p>	Thank you for your comment.
1.601.	D & L Scott	Q40	My answer here is the same as for Q39.	Thank you for your comment.
1.602.	EAPSPI	Q40	In spite of its fundamental concerns against the HBS for IORPs, EAPSPI in general endorses the concept of the "balancing item approach" (BIA) in combination with the simplified and heuristic check of sponsor strength by using principle 2 (= PwC's "M" approach). We think this approach is practicable and efficient to implement, in particular with respect to using total wages as proxy for sponsors (public sector, charities, etc.) that do not have values like market capitalization or other suitable financial metrics (see 4.127, 4.200 and	Thank you for your comment.

			<p>the rationale in 4.229). Using the wage sum as a proxy is a suitable approach particularly for MES with joint financing as the risk of sponsor default is covered within the scheme.</p> <p>But EAPSPI is critical with respect to the requirement that IORPs shall demonstrate that the default rate of the sponsor (see 4.124) or PwC's M valuation of the sponsor (4.131) is likely to be stable over time. The stated examples are not sufficient and it is really questionable how IORPs can practically fulfil this requirement.</p> <p>The actual value of M should be determined taking into account the valuation results of the 2nd IORP QIS in 2015. In addition also principle 1 may be used if reliable data is available and principle 3 for sponsors with PPS.</p>	
1.603.	EEF	Q40	<p>See our response to Q39. The decision as to which conditions should apply for sponsor support to be treated as a balancing item should be left to Member States/ the national supervisory regime.</p> <p>National level supervisors are best placed to determine within a national context which framework best applies and how best to take account of pension protection arrangements applicable in each Member State.</p> <p>This approach would be especially important in the UK where there is</p>	Thank you for your comment.

			a well-developed pension protection regime.	
1.604.	Eversheds LLP	Q40	<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 should be left to national regulators to determine what conditions should be met in order for sponsor support to be used as a balancing item.</p>	Thank you for your comment.
1.605.	Evonik Industries AG	Q40	Legally enforceable sponsor support like in Germany should be treated as a balancing item.	Thank you for your comment.
1.606.	FFSA	Q40	See comments on Q39.	Thank you for your comment.
1.607.	FSUG	Q40	Principle 1 should be used for valuation of sponsor support in any cases. Principle 2 might lead (even with higher multiple “M”) to misleading valuation of a real sponsor support via derivative ways of presenting his strength. If the Principle 2 should be used, then the sponsor must present his support on his balance sheet (as a liability).	Thank you for your comment.
1.608.	GDV	Q40	<p>Which conditions should apply for sponsor support to be treated as a balancing item?</p> <p>The two conditions depending on the default rate and the strength seem to be appropriate. However, the GDV believes that a broader definition of balancing item is appropriate. Since the holistic balance sheet does not solely reflect the risks borne by IORPs but rather considers the part of pension promise implemented through the IORP from the point of view of members and beneficiaries, all parties that</p>	Thank you for your comment.

			safeguard the pension obligations should be considered. Therefore, the definition should not be restricted to sponsoring undertakings but also include all third parties that safeguard the pension promise, depending on their default rate and/or strength. Competent authorities should be empowered to decide upon the application of the balancing item in each case.	
1.609.	GE	Q40	<p>Which conditions should apply for sponsor support to be treated as a balancing item?</p> <p>Sponsor support should be treated as a balancing item where there is clear evidence available to those managing IORPs and national competent authorities that the value of the legally enforceable sponsor support is greater than any potential shortfall in the HBS (however that is assessed) and/or where performing a more detailed calculation of the value of sponsor support would be disproportionate to the net benefit of such an assessment.</p> <p>There will need to be a range of conditions available to assess eligibility of sponsor support as a balancing item, reflecting the particular circumstances of each country and the different characteristics of IORPs, for example those with multiple sponsors and cases where the sponsor stands behind several IORPs. It should be left to national supervisors to determine the criteria and metrics to be used in assessing eligibility for treating sponsor support as a balancing item.</p> <p>In the UK, it may be possible to use probabilities of default/insolvency, such as those derived by the Pension Protection Fund (PPF) for the purposes of determining annual PPF levies, in order to assess the</p>	Thank you for your comment.

			strength of sponsor support, which as suggested could form a criterion for establishing the balancing item requirement.	
1.610.	GE Pension Trustees Limited	Q40	<p>Which conditions should apply for sponsor support to be treated as a balancing item?</p> <p>As noted in the General Comment section, we do not believe that the introduction of the HBS concept outlined in the consultation paper provides any demonstrable benefits to either the managers of the IORP or to the members themselves.</p> <p>However, in the event that the HBS is imposed by the EU, sponsor support should be treated as a balancing item where there is clear evidence available to those managing IORPs and national competent authorities that the value of the legally enforceable sponsor support is greater than any potential shortfall in the HBS (however that is assessed) and/or where performing a more detailed calculation of the value of sponsor support would be disproportionate to the net benefit of such an assessment.</p> <p>There will need to be a range of conditions available to assess eligibility of sponsor support as a balancing item, reflecting the particular circumstances of each country and the different characteristics of IORPs, for example those in the not-for-profit sector, IORPs with multiple participating employers and also to deal with cases where the sponsor stands behind several IORPs (as is the case for the GE arrangements in the UK).</p> <p>As such, it should be left to national supervisors to determine the</p>	Thank you for your comment.

			<p>criteria and metrics to be used in assessing eligibility for treating sponsor support as a balancing item, in the context of local legislative, economic and regulatory circumstances.</p> <p>In the UK, it may be possible to use probabilities of default/insolvency, such as those derived by the Pension Protection Fund (PPF) for the purposes of determining annual PPF levies, in order to assess the strength of sponsor support, which as suggested could form a pragmatic approach for establishing the balancing item requirement.</p>	
1.612.	Heathrow Airport Limited	Q40	<p>Q40: Which conditions should apply for sponsor support to be treated as a balancing item?</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>We believe that it would be more useful for the 'balancing item' approach to be the default approach and it to be for individual IORPs (under the scrutiny of their national supervisors) to take the decision as to whether any more complex valuation is required.</p>	Thank you for your comment.
1.613.	Hoechst-Gruppe VVaG	Q40	<p>Given the general rejection of the HBS as a regulatory tool for IORPs, we support the listed conditions for sponsor support to qualify as balancing item (see 4.4). All conditions are legitimate in certain</p>	Thank you for your comment.

			<p>circumstances und should therefore equivalently be considered in the regulatory framework.</p> <p>In particular we would welcome the concept of the balancing item in combination with a model which is similarly simple as the PwC model ("M" approach), however, this alternative approach should not require calculating the HBS (for the "M" approach this is needed), but rather rely on a simpler measure (e.g. using technical provisions, market capitalisation, total wages etc.).</p> <p>If the HBS should be introduced at all, we think this approach would be practicable and efficiently to implement for a broad range of sponsors especially with respect to using total wages as proxy for not-for-profit sponsors (public sector, charities, etc.) that do not have values like market capitalization or other suitable financial metrics (4.127, 4.200 and the rationale in 4.229) or industry wide funds. Using the value "2" for M could to be appropriate.</p> <p>But we are very critical with respect to the requirement that IORP shall demonstrate that default rate of the sponsor (4.124) or PwC's M value of the sponsor (see 4.131) is likely to be stable over time. It is questionable how IORPs can practically fulfill this requirement given that even professional rating agencies have to adjust their ratings from time to time.</p>	
1.614.	IFoA	Q40	The IFoA considers that national supervisors should give guidance on when this approach may be used.	Thank you for your comment.
1.615.	IVS	Q40	The conditions outlined in both principle 1 and 2.	Thank you for your

				comment.
1.616.	Jane Marshall Consulting	Q40	None, where it is a legally enforceable obligation.	Thank you for your comment.
1.617.	NAPF	Q40	<p>Q40: Which conditions should apply for sponsor support to be treated as a balancing item?</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>National supervisory agencies should be allowed to decide which conditions are required for sponsor support to be used as a balancing item.</p> <p>In the UK, the NAPF anticipates that the most appropriate choice in most cases would be 'Principle 3' ('sponsor support as a balancing item in case of existence of a pension protection scheme').</p> <p>This would reflect the situation in the UK, where the Pension Protection Fund is now well established and plays a major role in ensuring protection for the vast majority of DB member benefits.</p>	Thank you for your comment.
1.619.	Nematrian	Q40	The sponsor support should be treated as a balancing item if the	Thank you for your

			<p>combination of all the security mechanisms (including assets within the IORP) is sufficient to meet the target degree of security (and as long as no other security mechanism is being used as the balancing item).</p> <p>For example, even if the sponsor had a poor credit rating, it should still be possible to take some credit for sponsor support (in the terminology used here, to use it to “balance” the HBS) as long as other security mechanisms in aggregate are sufficiently close to delivering the desired target degree of security (on the grounds that some access to sponsor support, even if it is weak, is still better than none, from the perspective of the beneficiary).</p>	comment.
1.621.	Otto Group	Q40	Legally enforceable sponsor support like in Germany should be treated as a balancing item.	Thank you for your comment.
1.623.	Pensioenfederatie	Q40	<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>The balancing item approach only works for IORPs that have unlimited sponsor support and do not use sponsor support in tandem with other security mechanisms.</p>	Thank you for your comment.
1.624.	PensionsEurope	Q40	Which conditions should apply for sponsor support to be treated as a	Thank you for your

			<p>balancing item?</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 anticipates the principles to be used will be different among the Member States. That is why national supervisory authorities should be allowed to decide which conditions are required for sponsor support to be used as a balancing item. Therefore the BIA should be as flexible as possible.</p> <p>We also welcome the concept of the balancing item in combination with the simplified and heuristic check of sponsor strength by using principle 2 (model which is similarly simple as the PwC's "M" approach). We think this approach is practicable and efficient to implement for a broad range of sponsors especially with respect to using total wages as proxy for not-for-profit sponsors (public sector, charities, etc.) that do not have values like market capitalization or other suitable financial metrics (4.127, 4.200 and the rationale in 4.229). The value for M would be arbitrary but any value under "2" would not make sense.</p> <p>Nevertheless, we are critical with respect to the requirement that IORP</p>	comment.
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			shall demonstrate that default rate of the sponsor (4.124) or PwC's M value of the sponsor (see 4.131) is likely to be stable over time. It is really questionable how IORPs could practically fulfill this requirement given that even professional rating agencies have to adjust their ratings from time to time.	
1.625.	PricewaterhouseCoopers	Q40	The principles for allowing sponsor support to be treated as a balancing item are set out in our paper "PwC research, in Institute and Faculty of Actuaries, Options for assessing employer covenant and the holistic balance sheet, Research Report, January 2013, Edinburgh/London". Essentially there needs to be sufficient headroom between the maximum value of sponsor support and the gap in the HBS. The question of course is what does sufficient mean ?	Thank you for your comment.
1.628.	RPTCL	Q40	We believe that the approach for considering sponsor support should be left for the IORP and sponsor to determine together considering all relevant factors "in the round".	Thank you for your comment.
1.629.	Siemens Pensionsfonds	Q40	Legally enforceable sponsor support like in Germany should be treated as a balancing item.	Thank you for your comment.
1.630.	Society of Pension Professionals	Q40	Which conditions should apply for sponsor support to be treated as a balancing item? 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.	Thank you for your comment.

			<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>It should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	
1.632.	Towers Watson	Q40	<p>Which conditions should apply for sponsor support to be treated as a balancing item?</p> <p>We are concerned about the “cliff-edge” effect of applying conditions for sponsor support to be treated as a balancing item, particularly in scenarios where the HBS might be used to determine deficit contributions. This could lead to distorted outcomes for IORPs and have very negative impacts on the sponsors of IORPs – particularly if the conditions are items outside of the sponsor’s or IORP’s control. A single condition is unlikely to be appropriate.</p>	Thank you for your comment.
1.633.	United Utilities Group	Q40	<p>Q40: Which conditions should apply for sponsor support to be treated as a balancing item?</p> <p>We believe that it would be more useful for the ‘balancing item’ approach to be the default approach and it to be for individual IORPs (under the scrutiny of their national supervisors) to take the decision as to whether any more complex valuation is required.</p>	Thank you for your comment.

1.634.	ZVK-Bau	Q40	<p>Apart from the overall unfitting concept of the HBS for our scheme we regard within the "M concept" a total wages approach with the value of x2 to be reasonable because for paritarian IORPs based on collective equivalence sponsor support (in form of the contribution rate) is part of the bargaining process between social partners. It belongs to a package that consists of wage raises, pension funds contribution rates, working time, fringe benefits etc. So every raise of pension funds' contribution is financed not only by the sponsoring enterprises but economically by all employees too because the latter abstain from getting possible wage raises or fringe benefit improvements or decide to raise productivity (by longer working hours for example). Sponsor support cannot be measured only against financial resources of a sponsoring company but has to acknowledge that – especially in industry-wide IORPs - employers and employees of the whole industry support the scheme.</p>	Thank you for your comment.
1.635.	OPSG	Q41	<p>One might consider that where the sponsor sets up a provision on the liability side of its balance sheet, this could be taken as equal to the sponsor support as a balancing item.</p> <p>Currently some sponsors have the legal obligation to provide unlimited sponsor. However, this obligation is not always reflected in the sponsor's accounts. If, in the future, the IORP has to provide a Holistic Balance Sheet (HBS) to the national supervisor, with the amount of sponsor support clearly reflected, will this lead to pressure to include this figure in the accounts of the sponsor?</p>	Thank you for your comment.
1.636.	aba Arbeitsgemeinschaft für	Q41	<p>With respect to the use of the balancing item approach for valuing sponsor support we additionally suggest that multi employer schemes</p>	Thank you for your comment.

	betriebliche Altersve		(MES) with large number of employers, legally enforceable sponsor support and joint financing should automatically qualify for applying the balancing item approach without explicitly assessing the strength of the sponsors (in addition to the listing in no. 4.4 of the consultation document). The rationale for this is that MES with a sufficient number of employers and joint financing could be seen as a means of collective pooling of default risk of individual sponsors – in analogy to the suggestions of EIOPA regarding pension protection schemes in 4.248 of the consultation paper.	
1.637.	Actuarial Association of Europe	Q41	We are not aware of any such cases	Thank you for your comment.
1.638.	AEIP	Q41	<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, for instance in case of industry wide fund, where the sponsor support could be calculated through the “M” approach.</p>	Thank you for your comment.
1.639.	Aon Hewitt	Q41	If, overall, most IORPS in a member state are backed by strong	Thank you for your

			sponsors; national supervisors could be allowed to decide to have sponsor support in that country treated as a balancing item for all IORPS. Member states could then look closely at actual sponsor support on a case by case basis.	comment.
1.640.	BAPI	Q41	<p>Q41: Are there other cases beyond the cases mentioned above in which sponsor support could be treated as a balancing item?</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 other situations might justify using sponsor support as a balancing item: parental or governmental guarantees, industry wide schemes which might be a combination of individual sponsors with a risk sharing mechanism on top, etc....</p>	Thank you for your comment.
1.641.	Compass Group PLC	Q41	Q41: Are there other cases beyond the cases mentioned above in which sponsor support could be treated as a balancing item?	

1.642.	D & L Scott	Q41	In a cash flow approach, the sponsor offers an alternative source of contingent cash flows in the event of income deficiencies and/or limited asset realisation prospects in times of market crisis, such as some of us experienced in 2008.	Thank you for your comment.
1.643.	EAPSPI	Q41	With respect to the use of the balancing item approach for valuing sponsor support EAPSPI suggests that multi-employer schemes with large number of employers, legally enforceable sponsor support and joint financing should automatically qualify for applying the balancing item approach without referring to the strength of the individual sponsor (in addition to the listing in no. 4.4 of the consultation document). The rationale for this is that MES with sufficient number of employers and joint financing could be seen as a means of the collective pooling of default risk of individual sponsors – in analogy to the suggestions of EIOPA regarding pension protection schemes in 4.248 of the consultation paper.	Thank you for your comment.
1.644.	Eversheds LLP	Q41	<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 should be left to national regulators to determine what conditions should be met in order for sponsor support to be used as a balancing item.</p>	Thank you for your comment.
1.645.	GDV	Q41	Are there other cases beyond the cases mentioned above in which sponsor support could be treated as a balancing item?	Thank you for your comment.

			The GDV believes that a broader definition of balancing item is appropriate. Since the holistic balance sheet does not solely reflect the risks borne by IORPs but rather considers the part of pension promise implemented through the IORP from the point of view of members and beneficiaries, all parties that safeguard the pension obligations should be considered. Therefore, the definition should not be restricted to sponsoring undertakings but also include all third parties that safeguard the pension promise, depending on their default rate and/or strength. Competent authorities should be empowered to decide upon the application of the balancing item in each case.	
1.647.	Heathrow Airport Limited	Q41	Q41: Are there other cases beyond the cases mentioned above in which sponsor support could be treated as a balancing item?	
1.648.	Hoechst-Gruppe VVaG	Q41	With respect to the use of the balancing item approach for valuing sponsor support we additionally suggest that multi employer schemes (MES) with large number of employers, legally enforceable sponsor support and joint financing should automatically qualify for applying the balancing item approach without explicitly assessing the strength of the sponsors (in addition to the listing in no. 4.4 of the consultation document). The rationale for this is that MES with a sufficient number of employers and joint financing could be seen as a means of collective pooling of default risk of individual sponsors – in analogy to the suggestions of EIOPA regarding pension protection schemes in 4.248 of the consultation paper.	Thank you for your comment.
1.649.	IFoA	Q41	The IFoA considers that national supervisors should give guidance on when this approach may be used.	Thank you for your comment.
1.650.	IVS	Q41	n.a.	
1.651.	NAPF	Q41	Q41: Are there other cases beyond the cases mentioned above in	Thank you for your

			<p>which sponsor support could be treated as a balancing item?</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>EIOPA should also take note of the fact that several major UK pension schemes benefit from Crown Guarantees. This extra element of covenant strength should, in the NAPF's view, provide a further 'Principle' that would warrant the use of sponsor support as a balancing item.</p> <p>Schemes in this position include the BT Pension Scheme, the Mineworkers' Pension Scheme and the BAe Systems Pension Scheme.</p>	comment.
1.653.	Nematrion	Q41	<p>Yes. If the combination of all the security mechanisms (including assets within the IORP) is sufficient to meet the target degree of security and if there are no other security mechanism being used as the balancing item (even if the sponsor support does not meet the principles set out in 4.114 – 4.133).</p>	Thank you for your comment.
1.655.	Pensioenfederatie	Q41	<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>	Thank you for your comment.

			<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 case of a pension protection scheme.</p>	
1.656.	PensionsEurope	Q41	<p>Are there other cases beyond the cases mentioned above in which sponsor support could be treated as a balancing item?</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>With respect to the use of the balancing item approach for valuing sponsor support we additionally suggest that multi employer schemes (MES) with large number of employers, legally enforceable sponsor support and joint financing should automatically qualify for applying the balancing item approach without explicitly assessing the strength of the sponsors (in addition to the listing in no. 4.4 of the consultation document). The rationale for this is that MES with a sufficient number of employers and joint financing could be seen as a means of collective pooling of default risk of individual sponsors – in analogy to the suggestions of EIOPA regarding pension protection schemes in 4.248 of the consultation paper.</p>	Thank you for your comment.

			<p>Furthermore, EIOPA should also take into account some national specificities. For example we note the fact that several major UK pension schemes benefit from Crown Guarantees. This extra element of covenant strength should provide a further 'principle' or 'condition' that would warrant the use of sponsor support as a balancing item. Schemes in this position include the BT Pension Scheme, the Mineworkers' Pension Scheme and the BAE Systems Pension Scheme.</p> <p>Finally we believe other situations such as parent company guarantee or governmental guarantee might justify using sponsor support as a balancing item.</p>	
1.659.	RPTCL	Q41	<p>Notwithstanding our views on sponsor support generally, if the "balancing item" approach is to be a simplified approach to cover situations where there is no / negligible risk, then the balancing item approach could be used for cases where the Loss Given Default is zero (due to regulatory or contractual terms prevalent within an industry that demands a replacement sponsor will assume all pensions obligations in a default scenario).</p>	Thank you for your comment.
1.660.	Society of Pension Professionals	Q41	<p>Are there other cases beyond the cases mentioned above in which sponsor support could be treated as a balancing item?</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>	Thank you for your comment.

			<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>It should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	
1.661.	Towers Watson	Q41	<p>Are there other cases beyond the cases mentioned above in which sponsor support could be treated as a balancing item?</p> <p>Our view is that it should be treated as a balancing item in all cases. At the very least, in cases where there is a guarantee underlying the support of the sponsor or where the sponsor is very large in comparison to the IORP should treat sponsor support as a balancing item.</p>	Thank you for your comment.
1.662.	United Utilities Group	Q41	Q41: Are there other cases beyond the cases mentioned above in which sponsor support could be treated as a balancing item?	
1.663.	ZVK-Bau	Q41	That might be subject for further research.	Thank you for your comment.
1.664.	OPSG	Q42	More detailed analysis is required in order to establish an appropriate value for M. The OPSG is of the opinion that a figure lower than 2 should be acceptable e.g. 1.25	Thank you for your comment.

1.665.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q42	Again we would in general welcome the introduction of the “balancing item approach” (BIA) in combination with a model which is similarly simple as the PwC model (“M” approach), however, this alternative approach should not require calculating the HBS (for the “M” approach this is needed), but rather rely on a simpler measure (e.g. using technical provisions, market capitalization, total wages etc.).”	Thank you for your comment.
1.666.	Actuarial Association of Europe	Q42	<p>We believe the calibration of the M parameter is an important assumption that merits a fuller technical investigation.</p> <p>Further, an exclusive focus only on the M parameter may miss important sources of risk. For example, if a sponsor is B-rated and has no short-term plans to make additional payments into an under-funded IORP, the security of the IORP may be at risk, irrespective of how big the sponsor is relative to the IORP.</p>	Thank you for your comment.
1.667.	AEIP	Q42	<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>AEIP believes that a value of 2 might be sufficient, even though</p>	Thank you for your comment.

			discretion should be left to industry-wide pension funds in adapting the value of M to the specificities of the sector they operate for. This should be further investigated.	
1.668.	Aon Hewitt	Q42	Not at this stage – we think that prescribing this level of detail is inappropriate for a principles based approach. It will also introduce cliff-edges.	Thank you for your comment.
1.669.	BAPI	Q42	<p>Q42: Do stakeholders have a view as to what value of M would be appropriate?</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 PwC report suggested M equals 2. Further research might be needed.</p>	Thank you for your comment.
1.670.	Better Finance	Q42	Better Finance thinks (even when no calculations or models have been presented) to tie the multiple "M" to the size of the promised benefits	Thank you for your comment.

			<p>the IORP (sponsor) has made to the member. This can be also explained by the principle: "The more you promise, the higher M should be present." The promise made to the members should be treated on a relative basis, that is if an IORP promises higher replacement ratio, the expected benefits are becoming more significant in the overall expected pension benefits of the member. Rationally behaving members will therefore put more expectations and own contributions toward this IORP scheme.</p> <p>Such a rationale should be the starting point for determining an appropriate value of "M". However, further analysis is suggested to achieve any consistent conclusion and decision.</p>	
1.671.	Compass Group PLC	Q42	Q42: Do stakeholders have a view as to what value of M would be appropriate?	
1.672.	D & L Scott	Q42	I see parallels here between the multiples found in Price/Earnings ratios and the suggested «M». In the context of IORP funding, however, I would favour a considerable degree of prudence when setting values for «M» over market average or sponsor-specific P/E ratios.	Thank you for your comment.
1.673.	EAPSPI	Q42	In spite of its fundamental concerns against the HBS for IORPs, EAPSPI in general endorses the concept of the "balancing item approach" (BIA) in combination with the simplified and heuristic check of sponsor strength by using principle 2 (= PwC's "M" approach). Using the value "2" for M seems to be appropriate as a starting point for the 2nd IORP QIS in 2015. The final value of M should be discussed taking into account the valuation results of the 2nd IORP QIS.	Thank you for your comment.
1.674.	Eversheds LLP	Q42	Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop	Thank you for your comment.

			<p>its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>Any value for M that is generally applied for all IORPs that use the balancing item approach would be arbitrary.</p>	
1.675.	FSUG	Q42	<p>FSUG thinks (even when no calculations or models have been presented) to tie the multiple “M” to the size of the promised benefits the IORP (sponsor) has made to the member. This can be also explained by the principle: “The more you promise, the higher M should be present.” The promise made to the members should be treated on a relative basis, that is if an IORP promises higher replacement ratio, the expected benefits are becoming more significant in the overall expected pension benefits of the member. Rationally behaving members will therefore put more expectations and own contributions toward this IORP scheme.</p> <p>Such a rationale should be the starting point for determining an appropriate value of “M”. However, further analysis is suggested to achieve any consistent conclusion and decision.</p>	Thank you for your comment.
1.676.	GDV	Q42	Do stakeholders have a view as to what value of M would be appropriate?	
1.678.	Heathrow Airport Limited	Q42	Q42: Do stakeholders have a view as to what value of M would be appropriate?	
1.679.	Hoechst-Gruppe VVaG	Q42	Again we would in general welcome the introduction of the “balancing item approach” (BIA) in combination with a model which is similarly simple as the PwC model (“M” approach), however, this alternative	Thank you for your comment.

			approach should not require calculating the HBS (for the “M” approach this is needed), but rather rely on a simpler measure (e.g. using technical provisions, market capitalization, total wages etc.).”	
1.680.	IFoA	Q42	The IFoA considers that national supervisors should give guidance on suitable values of M.	Thank you for your comment.
1.681.	IVS	Q42	Research seems to indicate that 2 is a reasonable number. This is an example of a parameter that can only be set incorrectly, because of the inherent uncertainty surrounding the parameters that must be used to determine it. A rough and ready approach that will typically be acceptable, makes the system usable.	Thank you for your comment.
1.682.	NAPF	Q42	<p>Q42: Do stakeholders have a view as to what value of M would be appropriate?</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>Any value for M that is generally applied for all IORPs that use the balancing item approach would be arbitrary.</p>	Thank you for your comment.
1.685.	Pensioenfederatie	Q42	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	Thank you for your comment.

			<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>No. Any value for M generally applied for all IORPs using the balancing item approach is arbitrary. A sponsor with a large value is not necessarily able to actually pay up the value of the deficit. It is difficult to get a good view on the creditworthiness of a sponsor that is not rated. For this case we support the idea to use total wages as a proxy for the affordability assessment.</p>	
1.686.	PensionsEurope	Q42	<p>Do stakeholders have a view as to what value of M would be appropriate?</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 would in general welcome the introduction of the “balancing item approach” (BIA) in combination with a model which is similarly simple as the PwC model (“M” approach). Any value for M that is</p>	Thank you for your comment.

			generally applied for all IORPs that use the balancing item approach is arbitrary. We deem more detailed analysis is required in order to establish an appropriate value for M. A sponsor with a large value is not necessarily able to actually pay up the value of the deficit. It is difficult to get a good view on the creditworthiness of a sponsor that is not rated. For this case we support the idea to use the total wages as a proxy for the affordability assessment.	
1.687.	PricewaterhouseCoopers	Q42	<p>M should vary broadly by industry, determined by a measure of industry enterprise value volatility.</p> <p>For example in the regulated utilities sector, where the volatility of sponsors' values is typically relatively low, it may be safe to specify M at a level of say 1.5x. This would be justifiable on the grounds that empirical evidence shows that there is only a very small chance of value swings which would reduce sponsor value by more than 33% (0.5/1.5). For another sector with more volatile sponsor valuations an M of 2-3 may be more appropriate to provide that safety cushion.</p> <p>This analysis could be performed and guidance issued on the value of M for different industry sectors.</p>	Thank you for your comment.
1.690.	RPTCL	Q42	It is impossible and meaningless to stipulate a value for M without considering the value, nature, quality and recoverability of the relevant assets and liabilities. In addition, this does not address the issues of sponsors with multiple IORPs or the other complexities noted at 4.100.	Thank you for your comment.
1.691.	Society of Pension Professionals	Q42	Do stakeholders have a view as to what value of M would be appropriate?	Thank you for your comment.

			<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 is not applicable, as sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	
1.692.	Towers Watson	Q42	<p>Do stakeholders have a view as to what value of M would be appropriate?</p> <p>Further analysis should be undertaken to determine an appropriate value of 'M'. The value of M should be determined considering the purpose for which the HBS will be used – a different value could be more appropriate depending on the purpose of the HBS.</p>	Thank you for your comment.
1.693.	United Utilities Group	Q42	Q42: Do stakeholders have a view as to what value of M would be appropriate?	

1.694.	ZVK-Bau	Q42	Apart from the overall unfitting concept of the HBS for our scheme "x2" seems appropriate.	Thank you for your comment.
1.695.	OPSG	Q43	<p>The OPSG believes that the existence of a Pension Protection Scheme (PPS) should be considered a sufficient condition to allow for sponsor support to be the balancing item on the HBS, if and only if all liabilities are recognised by the PPS. However, it seems to be even more appropriate to take into account the existence of a PPS directly as a balancing item on the HBS, if and only if all liabilities are recognised by the PPS.</p> <p>Where a reduction of benefits may arise even after the intervention of the PPS (i.e. where the PPS does not protect 100 % of the benefits) and on the condition that this is clearly defined, the OPSG agrees that allowance for this possible reduction in benefits should be included in the HBS i.e. OPSG supports the comments of EIOPA in paragraphs 4.135 to 4.137.</p> <p>The OPSG stresses that MS should put sufficient measures in place to "supervise" the strength of their PPS.</p>	Thank you for your comment.
1.696.	100 Group of Finance Directors	Q43	<p>Q43: Do stakeholders think a pension protection scheme could in principle be considered as impacting on sponsor support to allow it to be a balancing item if it is considered financially strong and based on a sufficiently permanent and certain legal arrangement?</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>	Thank you for your comment.

			<p>We do not agree with the concept of the holistic balance sheet in the first place. If, however, a holistic balance sheet is introduced, we believe that this should recognise all sources of support, including pension protection schemes. However, we believe this is an assessment to be made at an IORP-specific level, with the IORP including sponsor support and where necessary pension protection schemes as potentially balancing items.</p>	
1.697.	<p>aba Arbeitsgemeinschaft für betriebliche Altersve</p>	Q43	<p>Yes, we agree. Pension protection schemes should definitely be considered either via backing up sponsor support as balancing item or directly as balancing item on the HBS. Otherwise this important security mechanism for safeguarding the pension promise from the beneficiaries' perspective would be neglected.</p> <p>See also answer to Q 77.</p> <p>The answer to Q77 was:</p> <p>We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept, we prefer option 1 to include PPS on an IORP's balance sheet. Otherwise this important security mechanism for safeguarding the pension promise from the beneficiaries perspective would be neglected and the aim of the European Commission (similar level of protection irrespective of the security mechanisms used) would not be met.</p> <p>PPS should be included in an HBS, favourably as a balancing item on the holistic balance sheet. See Q35 and Q71.</p>	<p>Thank you for your comment.</p>

			<p>One advantage of using the indirect approach of considering a PPS via the effect on sponsor support would be that it is less effort to model: in this case the sponsor support would not have to be modelled explicitly because sponsor support functions as a balancing item. In the case of considering PPS directly as an asset in the HBS sponsor support would have to be modelled / valued concretely using one of the other suggested valuation methods although afterwards the PPS is included as a balancing item in the HBS (see also EIOPA's suggestions in 4.5).</p> <p>We support following arguments for including pension protection schemes in any EU-wide framework as expressed in the Consultation paper.</p> <ul style="list-style-type: none"> <input type="checkbox"/> PPS protects members and beneficiaries against insolvency of their employers. In a holistic view, it should therefore be included in the HBS. The Consultation paper describes the conditions a PPS would have to fulfill (CP, par. 4.139), which we support. <input type="checkbox"/> There is a close link between sponsor support and pension protection schemes. Pension protection schemes could be seen as a form of collective sponsor support. Therefore they should, like sponsor support, be included in the holistic balance sheet. <input type="checkbox"/> PPS is a mechanism, established under national social and labor law, which protects members and beneficiaries against insolvency of their employers. A prudential framework should not aim at changing the level of security which is accepted under national social and labor law. 	
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			<p><input type="checkbox"/> PPS fulfill their task on a regular and ongoing basis. They are not a last resort mechanism, like insurance guarantee schemes. So they can't be excluded from the HBS on the grounds that they are similar to insurance guarantee schemes.</p> <p><input type="checkbox"/> PPS can be financed by tens of thousands of sponsors, which gives them a very strong financial basis, comparable to the strength of a whole national economy.</p> <p><input type="checkbox"/> In cases where a strong PPS is in place, the benefits of members and beneficiaries would be protected with a sufficient level of security. A sufficient level of security can therefore be achieved in those cases, without applying short recovery periods or requiring an IORP to hold financial assets at least of the amount of Level A technical provisions.</p> <p>EIOPA rightly considers individual sponsor support as an important security mechanism. It therefore would not make sense to not include pension protection schemes as a form of collective sponsor support of over 90,000 employers in Germany. In addition, if it was not recognized, the security level in Germany would be systematically higher than in many other EU Member States.</p> <p>Since the foundation of the PSVaG in Germany forty years ago, no beneficiaries or pensioners have lost their legally protected pension rights because of the insolvency of the sponsoring employer. Not taking pension protection schemes into account in the HBS would therefore remove it even further from the reality of occupational pensions in some European Member States.</p>	
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1.698.	Actuarial Association of Europe	Q43	Yes - assuming that the objective of the process is to assess absolute member security, rather than to assess the ability of the existing assets of the IORP and support from its sponsor to deliver member security.	Thank you for your comment.
1.699.	AEIP	Q43	<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.</p>	Thank you for your comment.
1.700.	AGV Chemie	Q43	We agree. Pension protection schemes should definitely be considered either via backing up sponsor support as balancing item or directly as balancing item on the HBS. Otherwise this important security mechanism for safeguarding the pension promise from the beneficiaries' perspective would be neglected.	Thank you for your comment.
1.701.	Aon Hewitt	Q43	Few member states have pension protection schemes. Where they do exist, they are there to protect members of pension schemes in the event that a sponsor becomes insolvent with an under-funded pension scheme. It is also possible that allowing for pension protection	Thank you for your comment.

			schemes when determining future funding could, in some states, be inconsistent with local legislation. Consequently, we do not think sponsor support should be treated as a balancing item in the case of the existence of a pension protection scheme. Exceptions could be made for very strong sponsors or where 100% of benefits are guaranteed. However such exceptions should be made on a case by case basis.	
1.702.	Association of Pension Lawyers	Q43	<p>1. The issue of whether a pension protection scheme should be included within the HBS depends on the nature of the pension protection scheme and whether the protection is provided within the IORP or outside of it.</p> <p>2. Take, for example, the UK's Pension Protection Fund ("PPF"). The PPF operates by taking over responsibility for an IORP's liabilities and as part of this process the IORP's assets are also transferred to the PPF; once this process is complete, the IORP is wound up and dissolved. In effect, therefore, it is a balancing item for such schemes.</p> <p>3. If the PPF was capable of being used as a balancing item within an IORP's HBS, presumably all UK IORPs that are eligible for the PPF would automatically have a balanced HBS – the PPF is a statutory organisation that will never be insolvent because it can reduce the level of benefits it provides.</p> <p>4. However, such an approach would presumably need to recognise the fact that some benefits are reduced as part of the transfer to the PPF. Consideration should, perhaps, be given to treating those benefits which are equivalent to the compensation provided by the PPF as fully funded at all times on the HBS so that it is only the unprotected benefits which need to be the focus of the HBS.</p> <p>5. If, in theory, a pension protection scheme covered all of the guaranteed obligations of the IORP, it could be argued that the IORP's</p>	Thank you for your comment.

			<p>funding was irrelevant as was the strength of the sponsor's support.</p> <p>6. In that situation, the appropriate approach would be for EIOPA to look at the regulation of the pension protection scheme.</p> <p>7. As funded defined benefit occupational pension schemes continue to decline in terms of active members, and unfunded defined benefit schemes are outside the scope of the IORP Directive, the concept of having some common level of funded defined benefit pension schemes across the European Union so as to promote cross-border provision of pension funds appears to be rather pointless.</p>	
1.703.	BAPI	Q43	<p>Q43: Do stakeholders think a pension protection scheme could in principle be considered as impacting on sponsor support to allow it to be a balancing item if it is considered financially strong and based on a sufficiently permanent and certain legal arrangement?</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>	Thank you for your comment.

			This is anyway the purpose of a pension protection scheme. We agree with the requirements to take the pension protection scheme into account. Although we believe the pension protection scheme is a balancing item of "last resort", so after possible ex-ante benefit reduction mechanisms and after sponsor support.	
1.704.	Barnett Waddingham LLP	Q43	We believe that this should be determined by national regulators who will have an understanding of the appropriate background.	Thank you for your comment.
1.705.	BASF SE	Q43	We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept both sponsor support and PPS should independently be dealt with as a balancing item.	Thank you for your comment.
1.706.	BDA	Q43	We agree. Pension protection schemes should definitely be considered either via backing up sponsor support as balancing item or directly as balancing item on the HBS. Otherwise this important security mechanism for safeguarding the pension promise from the beneficiaries' perspective would be neglected.	Thank you for your comment.
1.707.	Better Finance	Q43	Yes under the strict condition that pension protection scheme (fund) covers 100% of liabilities and no forced changes (reductions, cuts, limitation, conditional provisions, extended contribution period, increased contributions of members and sponsors, etc...) in given promise and/or pension plan (agreement) will be applied onto IORP members.	Thank you for your comment.
1.708.	British Telecommunications plc	Q43	Q43: Do stakeholders think a pension protection scheme could in principle be considered as impacting on sponsor support to allow it to be a balancing item if it is considered financially strong and based on a sufficiently permanent and certain legal arrangement?	Thank you for your comment.

			<p>In considering whether a pension regime provides adequate security for member benefits, any pension protection scheme needs to be taken into account.</p> <p>We do not agree with the concept of the holistic balance sheet in the first place. If, however, a holistic balance sheet is introduced, we believe that this should recognise all sources of support, including pension protection schemes.</p> <p>These are matters that should be determined in each Member State against the backdrop of its own supervisory regime and the comparative importance of second pillar retirement provision. It should not be for the EU to prescribe the appropriate level of pension protection schemes in each Member State.</p>	
1.709.	Compass Group PLC	Q43	<p>Q43: Do stakeholders think a pension protection scheme could in principle be considered as impacting on sponsor support to allow it to be a balancing item if it is considered financially strong and based on a sufficiently permanent and certain legal arrangement?</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>	Thank you for your comment.

			We do not agree with the concept of the holistic balance sheet in the first place. If, however, a holistic balance sheet is introduced, we believe that this should recognise all sources of support, including pension protection schemes. However, we believe this is an assessment to be made at an IORP-specific level, with the IORP including sponsor support and where necessary pension protection schemes as potentially balancing items.	
1.710.	D & L Scott	Q43	A pension protection scheme only operates in the event of the cessation of the IORP as a going concern. I think we are in danger of mixing and/or confusing going concern concepts with no-longer-going-concern concepts.	Thank you for your comment.
1.711.	EAPSPI	Q43	Yes, agree. Pension protection schemes should definitely be considered either via backing up sponsor support or directly as balancing items on the HBS. Otherwise this important security mechanism for safeguarding the pension promise from the beneficiaries' perspective would be neglected.	
1.712.	EEF	Q43	See our response to Q40	Thank you for your comment.
1.713.	Eversheds LLP	Q43	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. We do not think that pension protection schemes should be recognised	Thank you for your comment.

			<p>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 schemes having to be used. Recognising pension protection schemes on the holistic balance sheet implies that IORPs are expected to use such schemes. 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 pension protection schemes will need to be used.</p> <p>In addition, in a UK context, the Courts have said that trustees of defined benefit schemes should ignore the existence of the pension protection fund when making decisions about their scheme (including in relation to funding and investment). Recognising pension protection schemes on the holistic balance sheet would be inconsistent with this.</p>	
1.714.	Evonik Industries AG	Q43	<p>We agree. Pension protection schemes should definitely be considered either via backing up sponsor support as balancing item or directly as balancing item on the HBS. Otherwise this important security mechanism for safeguarding the pension promise from the beneficiaries' perspective would be neglected.</p>	Thank you for your comment.
1.715.	FFSA	Q43	<p>Pension Protection Scheme (PPS) should not be considered as a balancing item as this would contradict the purpose of a pension protection scheme, which is set up as a mechanism of last resort.</p>	Thank you for your comment.
1.716.	FSUG	Q43	<p>Yes under the strict condition that pension protection scheme (fund) covers 100% of liabilities and no forced changes (reductions, cuts, limitation, conditional provisions, extended contribution period, increased contributions of members and sponsors, etc...) in given promise and/or pension plan (agreement) will be applied onto IORP</p>	Thank you for your comment.

			members.	
1.717.	GDV	Q43	<p>Do stakeholders think a pension protection scheme could in principle be considered as impacting on sponsor support to allow it to be a balancing item if it is considered financially strong and based on a sufficiently permanent and certain legal arrangement?</p> <p>The GDV believes that a pension protection scheme could in principle be considered as impacting on sponsor support to allow it to be a balancing item if it is considered financially strong and based on a sufficiently permanent and certain legal arrangement.</p>	Thank you for your comment.
1.719.	Heathrow Airport Limited	Q43	<p>Q43: Do stakeholders think a pension protection scheme could in principle be considered as impacting on sponsor support to allow it to be a balancing item if it is considered financially strong and based on a sufficiently permanent and certain legal arrangement?</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>We do not agree with the concept of the holistic balance sheet in the first place. If, however, a holistic balance sheet is introduced, we believe that this should recognise all sources of support, including pension protection schemes. However, we believe this is an assessment to be made at an IORP-specific level, with the IORP including sponsor support and where necessary pension protection schemes as potentially balancing items.</p>	Thank you for your comment.

1.720.	Hoechst-Gruppe VVaG	Q43	<p>Yes, we agree. Pension protection schemes should definitely be considered either via backing up sponsor support as balancing item or directly as balancing item on the HBS. Otherwise this important security mechanism for safeguarding the pension promise from the beneficiaries' perspective would be neglected.</p> <p>See also answer to Q 77.</p> <p>The answer to Q77 was:</p> <p>We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept, we prefer option 1 to include PPS on an IORP's balance sheet. Otherwise this important security mechanism for safeguarding the pension promise from the beneficiaries perspective would be neglected and the aim of the European Commission (similar level of protection irrespective of the security mechanisms used) would not be met.</p> <p>PPS should be included in an HBS, favourably as a balancing item on the holistic balance sheet. See Q35 and Q71.</p> <p>One advantage of using the indirect approach of considering a PPS via the effect on sponsor support would be that it is less effort to model: in this case the sponsor support would not have to be modelled explicitly because sponsor support functions as a balancing item. In the case of considering PPS directly as an asset in the HBS sponsor support would have to be modelled / valued concretely using one of the other suggested valuation methods although afterwards the PPS is included as a balancing item in the HBS (see also EIOPA's suggestions</p>	Thank you for your comment.

			<p>in 4.5).</p> <p>We support following arguments for including pension protection schemes in any EU-wide framework as expressed in the Consultation paper.</p> <ul style="list-style-type: none"> <input type="checkbox"/> PPS protects members and beneficiaries against insolvency of their employers. In a holistic view, it should therefore be included in the HBS. The Consultation paper describes the conditions a PPS would have to fulfill (CP, par. 4.139), which we support. <input type="checkbox"/> There is a close link between sponsor support and pension protection schemes. Pension protection schemes could be seen as a form of collective sponsor support. Therefore they should, like sponsor support, be included in the holistic balance sheet. <input type="checkbox"/> PPS is a mechanism, established under national social and labor law, which protects members and beneficiaries against insolvency of their employers. A prudential framework should not aim at changing the level of security which is accepted under national social and labor law. <input type="checkbox"/> PPS fulfill their task on a regular and ongoing basis. They are not a last resort mechanism, like insurance guarantee schemes. So they can't be excluded from the HBS on the grounds that they are similar to insurance guarantee schemes. <input type="checkbox"/> PPS can be financed by tens of thousands of sponsors, which gives them a very strong financial basis, comparable to the strength of a whole national economy. <input type="checkbox"/> In cases where a strong PPS is in place, the benefits of members and beneficiaries would be protected with a sufficient level 	
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			<p>of security. A sufficient level of security can therefore be achieved in those cases, without applying short recovery periods or requiring an IORP to hold financial assets at least of the amount of Level A technical provisions.</p> <p>EIOPA rightly considers individual sponsor support as an important security mechanism. It therefore would not make sense to not include pension protection schemes as a form of collective sponsor support of over 90,000 employers in Germany. In addition, if it was not recognized, the security level in Germany would be systematically higher than in many other EU Member States.</p> <p>Since the foundation of the PSVaG in Germany forty years ago, no beneficiaries or pensioners have lost their legally protected pension rights because of the insolvency of the sponsoring employer. Not taking pension protection schemes into account in the HBS would therefore remove it even further from the reality of occupational pensions in some European Member States.</p>	
1.721.	IFoA	Q43	Yes this may be appropriate, but the IFoA considers that national supervisors should give guidance on when this approach may be used.	Thank you for your comment.
1.722.	IVS	Q43	Yes. Pension protection schemes should definitely be considered either via backing up sponsor support as a balancing item or directly as balancing item on the HBS/HPF. Otherwise, this important IORP-specific mechanism for safeguarding the pension promise from the beneficiaries' perspective would be neglected, thus counteracting the goal of being holistic. See our General Comments for an explanation of "HBS/HPF".	Thank you for your comment.
1.723.	Jane Marshall	Q43	Yes.	Thank you for your

	Consulting			comment.
1.724.	NAPF	Q43	<p>Q43: Do stakeholders think a pension protection scheme could in principle be considered as impacting on sponsor support to allow it to be a balancing item if it is considered financially strong and based on a sufficiently permanent and certain legal arrangement?</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 default position should be that sponsor support is used as a balancing item – or left for the trustees to decide.</p> <p>Only if the sponsor were not strong enough to support the scheme would factors such as the existence of a pension protection scheme come into play.</p> <p>If EIOPA chooses not to go down this default route, then pension protection schemes could be considered as impacting on sponsor support and used as a balancing item as proposed in Principle 3.</p> <p>Note that the existence of the PPF would not normally be included in the sponsor support assessment under the existing UK regulatory regime, but it seems appropriate to use it for the purposes of the HBS only.</p>	Thank you for your comment.

1.726.	Otto Group	Q43	<p>We agree. Pension protection schemes should definitely be considered either via backing up sponsor support as balancing item or directly as balancing item on the HBS. Otherwise this important security mechanism for safeguarding the pension promise from the beneficiaries' perspective would be neglected.</p>	Thank you for your comment.
1.727.	Pensioenfederatie	Q43	<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</p>	Thank you for your comment.
1.728.	Pension Protection Fund	Q43	<p>We agree that a pension protection scheme could in principle be considered as impacting on sponsor support to allow it to be a balancing item on the Holistic Balance Sheet. We also agree that, in order to allow it to be a balancing item, the pension protection scheme needs to be financially strong and based on sufficiently permanent and certain legal arrangement. We believe that the determination of financial strength and permanence should be carried out at state level.</p> <p>In our case we don't believe it appropriate to include the PPF on the</p>	Thank you for your comment.

			<p>Holistic Balance Sheet for funding or solvency purposes because of the format of protection we provide, i.e. we step in to compensate members when their pension schemes have insufficient funds to pay the pensions promised following a sponsor's insolvency at which point the scheme ceases to exist. The trustees should not be running the scheme finances taking into account any compensation payable following the scheme's disappearance, and to include us on the balance sheet would run the risk that trustees and employers came to target PPF levels of compensation (which are less than 100% of full scheme benefits).</p>	
1.729.	PensionsEurope	Q43	<p>Do stakeholders think a pension protection scheme could in principle be considered as impacting on sponsor support to allow it to be a balancing item if it is considered financially strong and based on a sufficiently permanent and certain legal arrangement?</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, pension protection schemes should definitely be considered either via backing up sponsor support as balancing item or directly as balancing item on the HBS.</p> <p>The default position should be that sponsor support is used as a</p>	Thank you for your comment.

			balancing item. Only if the sponsor were not strong enough to support the scheme would factors such as the existence of a pension protection scheme come into play. If EIOPA choses not to go down this default route, then the pension protection schemes could be considered as impacting on sponsor support and used as a balancing item as proposed in Principle 3.	
1.730.	PSVaG	Q43	We agree. PPS should definitely be considered either via backing up sponsor support as balancing item or directly as balancing item on the HBS. Otherwise this important security mechanism for safeguarding the pension promise from the beneficiaries' perspective would be neglected.	Thank you for your comment.
1.733.	RPTCL	Q43	The answer to this question depends on what EIOPA are seeking to achieve and the behaviours they are seeking to encourage. In the UK, Trustees of IORPs are explicitly not permitted to consider the support provided by the UK's Pension Protection Fund ("PPF") in their funding decisions. There is a perceived risk that if the PPF were to be "valued" or treated as a "balancing item", this might encourage IORP Trustees to take sub-optimal funding decisions which, in turn, might place undue strain on the PPF in the case of defaults. Clearly, the PPF does provide a degree of backstop protection to members' benefits, subject to certain limits. However, this question brings into sharp focus the nature, value and objectives of any holistic balance sheet.	Thank you for your comment.
1.734.	Siemens Pensionsfonds	Q43	We agree. Pension protection schemes should definitely be considered either via backing up sponsor support as balancing item or directly as balancing item on the HBS. Otherwise this important security mechanism for safeguarding the pension promise from the beneficiaries' perspective would be neglected.	Thank you for your comment.
1.735.	Society of Pension	Q43	Do stakeholders think a pension protection scheme could in principle	Thank you for your

	Professionals		<p>be considered as impacting on sponsor support to allow it to be a balancing item if it is considered financially strong and based on a sufficiently permanent and certain legal arrangement?</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>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	comment.
1.737.	Towers Watson	Q43	<p>Do stakeholders think a pension protection scheme could in principle be considered as impacting on sponsor support to allow it to be a balancing item if it is considered financially strong and based on a sufficiently permanent and certain legal arrangement?</p> <p>Yes – the pension protection scheme should be considered if the</p>	Thank you for your comment.

			purpose of the HBS is to assess the overall security of the members' benefits. However, if the HBS is being used to set funding requirements, this could cause difficulties in the UK.	
1.738.	United Utilities Group	Q43	<p>Q43: Do stakeholders think a pension protection scheme could in principle be considered as impacting on sponsor support to allow it to be a balancing item if it is considered financially strong and based on a sufficiently permanent and certain legal arrangement?</p> <p>We do not agree with the concept of the holistic balance sheet in the first place. If, however, a holistic balance sheet is introduced, we believe that this should recognise all sources of support, including pension protection schemes. However, we believe this is an assessment to be made at an IORP-specific level, with the IORP including sponsor support and where necessary pension protection schemes as potentially balancing items.</p>	Thank you for your comment.
1.739.	ZVK-Bau	Q43	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes.	Thank you for your comment.
1.740.	OPSG	Q44	<p>The OPSG believes that the existence of a Pension Protection Scheme (PPS) should be considered a sufficient condition to allow for sponsor support to be the balancing item on the HBS, if and only if all liabilities are recognised by the PPS. However, it seems to be even more appropriate to take into account the existence of a PPS directly as a balancing item on the HBS, if and only if all liabilities are recognised by the PPS.</p> <p>Where a reduction of benefits may arise even after the intervention of the PPS (i.e. where the PPS does not protect 100 % of the benefits) and on the condition that this is clearly defined, the OPSG agrees that</p>	Thank you for your comment.

			<p>allowance for this possible reduction in benefits should be included in the HBS i.e. OPSG supports the comments of EIOPA in paragraphs 4.135 to 4.137.</p> <p>The OPSG stresses that MS should put sufficient measures in place to “supervise” the strength of their PPS.</p>	
1.741.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q44	The PPS should generally be used as balancing item. Both approaches are appropriate and should be included in a framework, if the HBS framework should be introduced at all.	Thank you for your comment.
1.742.	ACA	Q44	These are matters that should be determined by each Member State against the backdrop of its own supervisory regime and the comparative importance of second pillar retirement provision.	Thank you for your comment.
1.743.	Actuarial Association of Europe	Q44	Yes - if the objective of the solvency assessment is to ensure the security of all the promised member benefits, then that would imply that the pension protection scheme should only be considered as a balancing item when all the promised benefits are protected. For the avoidance of doubt, we would advocate the possible proceeds of the pension protection scheme being included as an asset on the balance sheet in all cases including when it doesn't guarantee 100% of the benefits (but just not as an automatic balancing item).	Thank you for your comment.
1.744.	AEIP	Q44	<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>	Thank you for your comment.

			<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>AEIP believes that a pension protection scheme should generally be used as a balancing item, even though the second proposed option should be available too.</p> <p>Indeed, we believe that the details of the calculation of PPS should be left to member states and IORPs to implement as appropriate and as specific as possible with regard to their own circumstances.</p>	
1.745.	AGV Chemie	Q44	<p>In both cases, the existence of a PPS should be considered in the HBS. If the PPS does not guarantee full benefits, then we recommend that Member States should specify appropriate details of the valuation of the PPS. This enables Member States to cover different types of PPS and their specific circumstances.</p>	Thank you for your comment.
1.746.	ALSTOM	Q44	<p>Q44: Should considering a pension protection scheme as a balancing item be restricted to cases where a pension protection scheme protects 100% of benefits or is it appropriate to allow for the reduction in benefits in case of sponsor default where there is a pension protection scheme in place?</p> <p>These are matters that should be determined by each Member State against the backdrop of its own supervisory regime and the comparative importance of second pillar retirement provision.</p>	Thank you for your comment.

1.747.	Aon Hewitt	Q44	We are not convinced that a pension protection scheme should be used as a balancing item (except in cases where it covers 100% of accrued benefits). To do so would create the possibility that pension schemes would be under-funded in the event of employer insolvency, and this would then put pressure on the financing of the pension protection scheme itself. This could then push up the cost of the pension protection scheme, resulting in higher premiums to other pension funds.	Thank you for your comment.
1.748.	Association of Pension Lawyers	Q44	<p>1. If the pension protection scheme operates in the way that the UK Pension Protection Fund operates, namely:</p> <p>a) covers less than 100% of the guaranteed benefits of the IORP,</p> <p>b) only applies on the insolvency of the employer, and</p> <p>c) takes-over the assets of the IORP and provides compensatory payments which provide a lesser level of benefit than the guaranteed benefits in the IORP in relation to which the employer has become insolvent,</p> <p>then the concept of using the pension protection scheme as a balancing item in this situation appears to be delusional.</p> <p>2. In the context of a “holistic” balance sheet, you can either count the employer covenant or you can count the pension protection scheme.</p> <p>3. However, if the only circumstance in which the pension protection scheme steps in is where the employer is insolvent and recovery on the employer’s insolvency is not sufficient to cover the minimum benefit covered by the pension protection scheme, the existence of the pension protection scheme is as an alternative to, and not a supplement to, the support of a level from the employer.</p>	Thank you for your comment.

1.750.	Atradius Credit Insurance NV	Q44	<p>The presence of a pension protection scheme implies that members' benefits are protected to the degree determined by individual Member States having regard to European legislative requirements and case law. This adds to the argument that work necessary to assess elements of the HBS should be proportionate and, in effect, the minimum necessary to assist those managing and supervising IORPs in understanding and managing the risks. These are matters that should be determined by each Member State against the backdrop of its own supervisory regime and the comparative importance of second pillar retirement provision.</p>	Thank you for your comment.
1.751.	BAPI	Q44	<p>Q44: Should considering a pension protection scheme as a balancing item be restricted to cases where a pension protection scheme protects 100% of benefits or is it appropriate to allow for the reduction in benefits in case of sponsor default where there is a pension protection scheme in place?</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>	Thank you for your comment.

			We have no comment.	
1.752.	Barnett Waddingham LLP	Q44	We believe that this should be determined by national regulators who will have an understanding of the appropriate background.	Thank you for your comment.
1.753.	BASF SE	Q44	We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept the PPS should be used as a balancing item. Details should be left to the Member States.	Thank you for your comment.
1.754.	BDA	Q44	In both cases, the existence of a PPS should be considered in the HBS. If the PPS does not guarantee full benefits, then we recommend that Member States should specify appropriate details of the valuation of the PPS. This enables Member States to cover different types of PPS and their specific circumstances.	Thank you for your comment.
1.755.	Better Finance	Q44	Yes, 100% benefit coverage principle should be used.	Thank you for your comment.
1.757.	British Telecommunications plc	Q44	<p>Q44: Should considering a pension protection scheme as a balancing item be restricted to cases where a pension protection scheme protects 100% of benefits or is it appropriate to allow for the reduction in benefits in case of sponsor default where there is a pension protection scheme in place?</p> <p>These are matters that should be determined in each Member State against the backdrop of its own supervisory regime and the comparative importance of second pillar retirement provision.</p>	Thank you for your comment.

1.758.	Candriam	Q44	<p>Should considering a pension protection scheme as a balancing item be restricted to cases where a pension protection scheme protects 100% of benefits or is it appropriate to allow for the reduction in benefits in case of sponsor default where there is a pension protection scheme in place?</p> <p>Valuing a pension protection schemes is a complex issue that should be left to member states.</p>	Thank you for your comment.
1.759.	Compass Group PLC	Q44	<p>Q44: Should considering a pension protection scheme as a balancing item be restricted to cases where a pension protection scheme protects 100% of benefits or is it appropriate to allow for the reduction in benefits in case of sponsor default where there is a pension protection scheme in place?</p>	
1.760.	D & L Scott	Q44	<p>In the United Kingdom, the current level of «pension protection» is around 90%, although in some respects (eg annual indexation, but also mortality assumptions) it may be less than that ; in the United Kingdom the current level of protection is not guaranteed and, therefore, may be varied in future, and more likely to be a reduction of protection.</p> <p>We have also witnessed Poland, Hungary and Bulgaria reducing second-pillar pensions to address public sector debt and borrowing capacity issues.</p>	Thank you for your comment.
1.761.	EEF	Q44	<p>We think that a pension protection scheme that protects less than 100% of member benefits (as in the UK) should not be excluded from possible use as a balancing item.</p>	Thank you for your comment.

1.762.	Eversheds LLP	Q44	<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 pension protection schemes 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 schemes having to be used. Recognising pension protection schemes on the holistic balance sheet implies that IORPs are expected to need to use such schemes. 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 pension protection schemes will need to be used.</p> <p>Recognising pension protection schemes on the holistic balance sheet would also be inconsistent with UK case law.</p>	Thank you for your comment.
1.763.	Evonik Industries AG	Q44	<p>In both cases, the existence of a PPS should be considered in the HBS. If the PPS does not guarantee full benefits, then we recommend that Member States should specify appropriate details of the valuation of the PPS. This enables Member States to cover different types of PPS and their specific circumstances.</p>	Thank you for your comment.
1.764.	FSUG	Q44	<p>Yes, 100% benefit coverage principle should be used.</p>	Thank you for your comment.

1.765.	GDFSUEZ	Q44	<p>Q44: Should considering a pension protection scheme as a balancing item be restricted to cases where a pension protection scheme protects 100% of benefits or is it appropriate to allow for the reduction in benefits in case of sponsor default where there is a pension protection scheme in place?</p> <p>These are matters that should be determined by each Member State against the backdrop of its own supervisory regime and the comparative importance of second pillar retirement provision.</p>	Thank you for your comment.
1.766.	GDV	Q44	<p>Should considering a pension protection scheme as a balancing item be restricted to cases where a pension protection scheme protects 100% of benefits or is it appropriate to allow for the reduction in benefits in case of sponsor default where there is a pension protection scheme in place?</p> <p>The pension protection schemes should only balance the part of the contributions that they cover. Finally, it is important that the principle of proportionality applies and the calculation methods are simplified where possible. This is for example the case when the PPS covers almost 100 % of benefits. In this case, it should be nevertheless offset the balance sheet.</p>	Thank you for your comment.
1.767.	GE	Q44	<p>Should considering a pension protection scheme as a balancing item be restricted to cases where a pension protection scheme protects 100% of benefits or is it appropriate to allow for the reduction in benefits in case of sponsor default where there is a pension protection scheme in place?</p> <p>The presence of a pension protection scheme implies that members'</p>	Thank you for your comment.

			benefits are protected to the degree determined by individual Member States having regard to European legislative requirements and case law. This adds to the argument that work necessary to assess elements of the HBS should be proportionate and, in effect, the minimum necessary to assist those managing and supervising IORPs in understanding and managing the risks. These are matters that should be determined by each Member State against the backdrop of its own supervisory regime and the comparative importance of second pillar retirement provision.	
1.768.	GE Pension Trustees Limited	Q44	<p>Should considering a pension protection scheme as a balancing item be restricted to cases where a pension protection scheme protects 100% of benefits or is it appropriate to allow for the reduction in benefits in case of sponsor default where there is a pension protection scheme in place?</p> <p>The presence of a pension protection scheme implies that members' benefits are protected to the degree determined by individual Member States having regard to European legislative requirements and case law. This adds to the argument that work necessary to assess elements of the HBS should be proportionate and, in effect, the minimum necessary to assist those managing and supervising IORPs in understanding and managing the risks. These are matters that should be determined by each Member State against the backdrop of its own supervisory regime and the comparative importance of second pillar retirement provision.</p>	Thank you for your comment.
1.770.	Heathrow Airport Limited	Q44	Q44: Should considering a pension protection scheme as a balancing item be restricted to cases where a pension protection scheme protects 100% of benefits or is it appropriate to allow for the reduction in benefits in case of sponsor default where there is a pension	

			protection scheme in place?	
1.771.	Hoechst-Gruppe VVaG	Q44	The PPS should generally be used as balancing item. Both approaches are appropriate and should be included in a framework, if the HBS framework should be introduced at all.	Thank you for your comment.
1.772.	IFoA	Q44	The IFoA considers that national supervisors should give guidance on when the balancing item approach may be used.	Thank you for your comment.
1.773.	IVS	Q44	If a PPS exists, it should be allowed to be used as a balancing item and not be restricted to cases where a PPS protects 100% of benefits. If there is a PPS it should always be appropriately considered.	Thank you for your comment.
1.774.	Jane Marshall Consulting	Q44	No.National authorities are the appropriate body to determine the overall balance of protection afforded by a pension protection scheme,including one which protects less than 100 percent of benefits as long as EU obligations on protecting member benefits on insolvency are observed.	Thank you for your comment.
1.777.	NAPF	Q44	<p>Q44: Should considering a pension protection scheme as a balancing item be restricted to cases where a pension protection scheme protects 100% of benefits or is it appropriate to allow for the reduction in benefits in case of sponsor default where there is a pension protection scheme in place?</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>	Thank you for your comment.

			The NAPF would favour the second approach – allowing the existence of a pension protection scheme (even with some benefit reduction) to be used as a balancing item in cases where sponsor support is not sufficient on its own.	
1.780.	Otto Group	Q44	In both cases, the existence of a PPS should be considered in the HBS. If the PPS does not guarantee full benefits, then we recommend that Member States should specify appropriate details of the valuation of the PPS. This enables Member States to cover different types of PPS and their specific circumstances.	Thank you for your comment.
1.781.	Pensioenfederatie	Q44	<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>A PPS is not applicable for the Dutch situation. We believe that the details of the calculation of the PPS should be left to the discretion of the Member States and IORPs. This allows them to implement these as appropriate and as specific as possible with regard to their own circumstances. The use of a balancing item approach in case of a PPS should be justified properly and in a transparent manner</p>	Thank you for your comment.

1.782.	Pension Protection Fund	Q44	In cases where protection is 100% we can see that inclusion of the pension protection fund on the balance sheet is less problematic as it avoids the risk that scheme managers will target a level of benefits less than the full scheme promise. However we do not think this prevents including on the balance sheet a pension protection scheme that protects less than 100% of scheme benefits – so long as it is not used as the basis for funding/solvency requirements.	Thank you for your comment.
1.783.	PensionsEurope	Q44	<p>Should considering a pension protection scheme as a balancing item be restricted to cases where a pension protection scheme protects 100% of benefits or is it appropriate to allow for the reduction in benefits in case of sponsor default where there is a pension protection scheme in place?</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 believe that the details of the calculation of PPS should be left to Member States and IORPs to implement as appropriate and as specific as possible with regard to their own circumstances. The use of a balancing item approach in case of a PPS should be justified properly and in a transparent manner.</p>	Thank you for your comment.
1.784.	PERNOD-RICARD	Q44	Q44: Should considering a pension protection scheme as a balancing	Thank you for your

			<p>item be restricted to cases where a pension protection scheme protects 100% of benefits or is it appropriate to allow for the reduction in benefits in case of sponsor default where there is a pension protection scheme in place?</p> <p>These are matters that should be determined by each Member State against the backdrop of its own supervisory regime and the comparative importance of second pillar retirement provision.</p>	comment.
1.785.	PSVaG	Q44	<p>In both cases, the existence of a PPS should be considered in the HBS. If the PPS does not guarantee full benefits, then we recommend that Member States should specify appropriate details of the valuation of the PPS. This enables Member States to cover different types of PPS and their specific circumstances.</p>	Thank you for your comment.
1.788.	RPTCL	Q44	<p>We agree with the principle of “valuing” the protection offered by a protection scheme if it is an arm’s length commercial insurance body. If the protection scheme is an arm’s length commercial insurance body, then any value should reflect the benefits actually protected.</p> <p>We believe that it may be appropriate to give credit for the cover provided by the UK PPF – provided that this does not in turn encourage decision-making which places strain on the PPF and which in turn increases the levies payable by IORPs to the PPF.</p>	Thank you for your comment.
1.789.	Siemens Pensionsfonds	Q44	<p>In both cases, the existence of a PPS should be considered in the HBS. If the PPS does not guarantee full benefits, then we recommend that Member States should specify appropriate details of the valuation of the PPS. This enables Member States to cover different types of PPS and their specific circumstances.</p>	Thank you for your comment.

1.790.	Society of Pension Professionals	Q44	<p>Should considering a pension protection scheme as a balancing item be restricted to cases where a pension protection scheme protects 100% of benefits or is it appropriate to allow for the reduction in benefits in case of sponsor default where there is a pension protection scheme in place?</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>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise</p>	Thank you for your comment.
1.792.	Towers Watson	Q44	<p>Should considering a pension protection scheme as a balancing item be restricted to cases where a pension protection scheme protects 100% of benefits or is it appropriate to allow for the reduction in</p>	Thank you for your comment.

			<p>benefits in case of sponsor default where there is a pension protection scheme in place?</p> <p>The presence of a pension protection scheme implies that members' benefits are protected to the degree determined by individual Member States having regard to European legislative requirements and case law. This adds to the argument that work necessary to assess elements of the HBS should be proportionate and, in effect, the minimum necessary to assist those managing and supervising IORPs in understanding and managing the risks. These are matters that should be determined by each Member State against the backdrop of its own supervisory regime and the comparative importance of second pillar retirement provision.</p>	
1.793.	United Utilities Group	Q44	Q44: Should considering a pension protection scheme as a balancing item be restricted to cases where a pension protection scheme protects 100% of benefits or is it appropriate to allow for the reduction in benefits in case of sponsor default where there is a pension protection scheme in place?	
1.794.	ZVK-Bau	Q44	No. Allowance of benefit reductions should not hinder the recognition of pension protection schemes as balancing item especially if the pension protection scheme can be combined with other adjustment mechanisms (benefit reductions).	Thank you for your comment.
1.795.	OPSG	Q45	<p>The OPSG is of the opinion that there is no need to define a separate minimum level of funding with financial assets where a PPS is in place i.e. all IORPs should be required to have the same minimum level of funding with financial assets.</p> <p>The OPSG is of the view that this level would be up to the national supervisor to define.</p>	Thank you for your comment.
1.796.	aba	Q45	In case of a strong sponsor or a sponsor backed by a pension	Thank you for your

	Arbeitsgemeinschaft für betriebliche Altersve		protection scheme the pension promise is safeguarded. That is the rationale for treating these security mechanisms as balancing items. Thus an additional separate minimum level of funding with financial assets should not be required.	comment.
1.797.	ACA	Q45	Yes	Thank you for your comment.
1.798.	Actuarial Association of Europe	Q45	No - if we are prepared to assume that the pension protection scheme is risk-free, then pension member security is fulfilled by the legal arrangement and financial strength of the pension protection scheme. In that case, the funding level of the IORP would purely be a matter between the pension protection scheme and the IORP and there would be no need from a solvency perspective to require a minimum funding level.	Thank you for your comment.
1.799.	AEIP	Q45	No, as long as the PPS is strong enough to guarantee 100% (or close to 100%) of the benefits. If the PPS does not guarantee full benefits, then the combination of the PPS and the necessary benefit reductions is the balancing item. AEIP believes that the current requirements, as regulated under the Directive EC/2003/41 (IORP directive) are adequate and should not be amended.	Thank you for your comment.
1.800.	AGV Chemie	Q45	In case of a strong sponsor or a sponsor backed by a pension protection scheme the pension promise is safeguarded. That is just the rationale for treating these security mechanisms like balancing items. Thus, an additional separate minimum level of funding with financial assets should not be required.	Thank you for your comment.

1.801.	Aon Hewitt	Q45	We are not convinced that a pension protection scheme should be used as a balancing item (except in cases where it covers 100% of accrued benefits). To do so would create the possibility that pension schemes would be under-funded in the event of employer insolvency, and this would then put pressure on the financing of the pension protection scheme itself. This could then push up the cost of the pension protection scheme, resulting in higher premiums to other pension funds.	Thank you for your comment.
1.802.	Association of Pension Lawyers	Q45	<p>1. This depends on the purpose for which the HBS will be used. We can see how a separate minimum funding level would be needed in relation to Pillar 3 but not for Pillar 1.</p> <p>2. If there is the hypothetical scenario under which the pension protection scheme covers 100% of the guaranteed benefits, then the funding of the IORP's guaranteed benefits and the strength of the employer support become irrelevant.</p> <p>3. Instead, what becomes relevant is the financial strength of the pension protection scheme.</p> <p>4. It may be that the financial strength of the pension protection scheme will be influenced by:</p> <ul style="list-style-type: none"> a) the likelihood of the IORPs covered by the pension protection scheme having the benefits provided by them taken over by the pension protection scheme, b) the degree of funding of the guaranteed benefits in the IORP, and c) the amount of recovery from the sponsoring employer group in the context of the sponsoring group's insolvency. <p>5. However, so far as we are aware, no such pension protection scheme exists. Nor would it seem likely that any such pension</p>	Thank you for your comment.

			protection scheme would come into existence.	
1.803.	BAPI	Q45	<p>Q45: Do stakeholders believe that it is appropriate that where a pension protection scheme is used as the balancing item, a separate minimum level of funding with financial assets and/or sponsor support should be required?</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>No, we believe the HBS should be a risk management tool only. As such the current IORP I funding level is fair enough.</p>	Thank you for your comment.
1.804.	Barnett Waddingham LLP	Q45	We believe that any minimum funding requirements should be set by national regulators who will have an understanding of the appropriate background.	Thank you for your comment.
1.805.	BASF SE	Q45	We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept no separate minimum levels of funding should be required.	Thank you for your comment.

1.806.	BDA	Q45	In case of a strong sponsor or a sponsor backed by a pension protection scheme the pension promise is safeguarded. That is just the rationale for treating these security mechanisms like balancing items. Thus, an additional separate minimum level of funding with financial assets should not be required.	Thank you for your comment.
1.807.	Compass Group PLC	Q45	Q45: Do stakeholders believe that it is appropriate that where a pension protection scheme is used as the balancing item, a separate minimum level of funding with financial assets and/or sponsor support should be required?	
1.808.	D & L Scott	Q45	<p>It is difficult to generalise about different protection schemes. In the United Kingdom, the scheme is funded by levies which apply at much higher levels for larger and, arguably, better run IORPs than they do for smaller IORPs where the likelihood of failure may be greater. It seems double counting to me to insist on a separate minimum funding level and/or additional sponsor support where there is such funding. If the protection scheme is «unfunded» then I can see a different rationale applying.</p> <p>I would also urge improvements in both Member State governments' accounting and protection scheme accounting to explain their reasons for setting separate minimum funding levels. I would also extend national government accountability for pensions (whether funded or unfunded) to local government/municipal pensions (whether funded or unfunded).</p>	Thank you for your comment.
1.809.	EEF	Q45	We do not agree that a new funding level should be developed. There	Thank you for your

			are already too many funding bases and the development of another one would cause disproportionate complexity in management of funding. The pension protection scheme should simply be used as a balancing item; there is no need for a further level.	comment.
1.810.	Eversheds LLP	Q45	<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 pension protection schemes 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 schemes having to be used. Recognising pension protection schemes on the holistic balance sheet implies that IORPs are expected to need to use such schemes.</p> <p>In addition, allowing IORPs to show the protection afforded by a pension protection scheme as an asset on the holistic balance sheet could distort the true solvency position of the IORP by suggesting that the solvency position is better than it actually is. In turn this may mean that appropriate action is not taken to address the IORPs actual solvency position which may in turn, perversely, make it more likely that the relevant pension protection scheme will need to be used.</p> <p>Recognising pension protection schemes on the holistic balance sheet would also be inconsistent with UK case law.</p>	Thank you for your comment.

1.811.	Evonik Industries AG	Q45	In case of a strong sponsor or a sponsor backed by a pension protection scheme the pension promise is safeguarded. That is just the rationale for treating these security mechanisms like balancing items. Thus, an additional separate minimum level of funding with financial assets should not be required.	Thank you for your comment.
1.812.	GDV	Q45	<p>Do stakeholders believe that it is appropriate that where a pension protection scheme is used as the balancing item, a separate minimum level of funding with financial assets and/or sponsor support should be required?</p> <p>Yes, see the concerns raised in Q39. It could be appropriate that the criterion for the liabilities to be covered with financial assets of IORPs without taking into account the sponsor support is considered as a minimum level of funding.</p>	Thank you for your comment.
1.814.	Heathrow Airport Limited	Q45	Q45: Do stakeholders believe that it is appropriate that where a pension protection scheme is used as the balancing item, a separate minimum level of funding with financial assets and/or sponsor support should be required?	
1.815.	Hoechst-Gruppe VVaG	Q45	In case of a strong sponsor or a sponsor backed by a pension protection scheme the pension promise is safeguarded. That is the rationale for treating these security mechanisms as balancing items. Thus an additional separate minimum level of funding with financial assets should not be required.	Thank you for your comment.
1.816.	IFoA	Q45	The IFoA considers that national supervisors should give guidance on when the balancing item approach may be used, which may include a	Thank you for your comment.

			specified minimum level of funding.	
1.817.	IVS	Q45	No – there is no need for a separate minimum level of funding at a European level. A minimum level of funding should be individually defined by member states. Especially in case of a strong sponsor or a sponsor backed by a PPS, the pension promise is sufficiently safeguarded. That is the rationale for treating these security mechanisms as balancing items.	Thank you for your comment.
1.818.	Jane Marshall Consulting	Q45	No.National authorities should make these sorts of judgements.	Thank you for your comment.
1.819.	NAPF	Q45	<p>Q45: Do stakeholders believe that it is appropriate that where a pension protection scheme is used as the balancing item, a separate minimum level of funding with financial assets and/or sponsor support should be required?</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 not support the development of a separate funding level. The pension protection scheme should simply be used as a balancing item, without any further calculation.</p>	Thank you for your comment.
1.822.	Otto Group	Q45	In case of a strong sponsor or a sponsor backed by a pension protection scheme the pension promise is safeguarded. That is just the rationale for treating these security mechanisms like balancing items. Thus, an additional separate minimum level of funding with	Thank you for your comment.

			financial assets should not be required.	
1.823.	Pensioenfederatie	Q45	<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>The use of a balancing item approach in case of a PPS should be justified properly and in a transparent manner. This would imply that no extra requirements are needed for IORPs that are applying the balancing item approach. If the PPS does not guarantee full benefits, the combination of the PPS and the necessary benefit reductions is the balancing item.</p>	Thank you for your comment.
1.824.	Pension Protection Fund	Q45	<p>We agree that it is appropriate that where a pension protection scheme is used as the balancing item, a separate minimum level of funding with financial assets and/ or sponsor support should be required. In particular, we would be concerned that the incentive for Trustees and sponsors of pension schemes to properly fund or otherwise support their pension scheme would be reduced if there were no minimum funding requirement and the scheme's Holistic Balance Sheet always balanced. Such a reduced incentive would be likely to lead to increased risks for the PPF.</p>	Thank you for your comment.
1.825.	PensionsEurope	Q45	<p>Do stakeholders believe that it is appropriate that where a pension protection scheme is used as the balancing item, a separate minimum</p>	Thank you for your comment.

			<p>level of funding with financial assets and/or sponsor support should be required?</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> <p>In case of a strong sponsor or a sponsor backed by a pension protection scheme the pension promise should be seen as safeguarded. That is just the rationale for treating these security mechanisms as balancing items. Thus a separate minimum level of funding with financial assets should not be required as long as the PPS is strong enough to guarantee the benefits. If the PPS does not guarantee full benefits, then the combination of the PPS and the necessary benefits reductions is the balancing item.</p>	
1.828.	RPTCL	Q45	This will depend on the requirements of the protection scheme and its creditworthiness.	Thank you for your comment.
1.829.	Siemens Pensionsfonds	Q45	In case of a strong sponsor or a sponsor backed by a pension protection scheme the pension promise is safeguarded. That is just the rationale for treating these security mechanisms like balancing	Thank you for your comment.

			items. Thus, an additional separate minimum level of funding with financial assets should not be required.	
1.830.	Society of Pension Professionals	Q45	<p>Do stakeholders believe that it is appropriate that where a pension protection scheme is used as the balancing item, a separate minimum level of funding with financial assets and/or sponsor support should be required?</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>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise</p>	Thank you for your comment.
1.831.	Towers Watson	Q45	Do stakeholders believe that it is appropriate that where a pension	Thank you for your

			<p>protection scheme is used as the balancing item, a separate minimum level of funding with financial assets and/or sponsor support should be required?</p> <p>We believe that the protection of the PPS will require a separate minimum funding level based on financial assets/sponsor support to protect the viability of the PPS; however, this is something that is best determined by the relevant individual Member State and its national competent authority.</p>	comment.
1.832.	United Utilities Group	Q45	Q45: Do stakeholders believe that it is appropriate that where a pension protection scheme is used as the balancing item, a separate minimum level of funding with financial assets and/or sponsor support should be required?	
1.833.	ZVK-Bau	Q45	No. The existence of a pension protection scheme does not need to be backed by minimum level of funding.	Thank you for your comment.
1.834.	OPSG	Q46	<p>Yes. A standard approach prescribed by EIOPA is unlikely to be suitable in all cases. A principle-based and IORP specific approach for valuing sponsor support instead of an inadequate “one-size-fits-all” approach for all types of IORPs would be appropriate. This would enable supervisors to adopt suitable approaches for different types of IORPs and sponsors as well as facilitate country specific differences.</p> <p>Requiring all IORPS to comply with a standard approach is likely to result in unnecessary complexity and additional costs without necessarily producing more appropriate outputs. A principles-based approach allowing for the specific features and circumstances of IORPs will be more flexible. Supervisory authorities can ensure that IORPs adopt appropriate approaches that are consistent with the principles set out by EIOPA.</p>	Thank you for your comment.
1.835.	100 Group of Finance	Q46	Q46: Do stakeholders agree that technical specifications should allow	Thank you for your

	Directors		<p>for a principles-based, IORP specific valuation of sponsor support? Please explain.</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>Yes. However, we would go beyond this: we think that any holistic balance sheet should also allow for a principles-based, IORP-specific qualitative assessment of sponsor support.</p> <p>In the UK, the assessment of sponsor support forms a key part of funding negotiations. Trustees will have access to information of various kinds to enable them to assess that support, ranging from quantitative metrics to more qualitative assessments of the employer's future business prospects and commitment to the pension scheme. Any attempt to reduce this complex array of information to a single number is bound to produce results that are spurious and misleading.</p>	comment.
1.836.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q46	<p>The aba is still of the opinion that the concept of the HBS should not be applied to IORPs as the HBS and the calculation of the SCR fully rest on the Solvency II structure regarding the market consistent valuation of assets and liabilities and the assessment and quantification of risks. We regard this approach as unsuitable for IORPs and the long term nature of pensions because it delivers inadequate management incentives.</p>	Thank you for your comment.

			<p>But assuming the HBS would be applied to IORPs we agree to a principles-based and IORP specific approach to valuing sponsor support instead of an inadequate „one-size-fits-all“-approach for all types of IORPs. This enables to cover a broad range of different types of IORPs and sponsors as well as country specific differences and to find suitable solutions. Thus the regulatory specifics should be set by Member States (see Q36) including a variety of equivalent approaches and leaving it up to the IORP to decide which approach to choose (including particularly the balancing item approach). In addition further deterministic simplifications by Member States to consider national circumstances should be allowed. A stochastic modeling or explicit cash-flow-modeling should not be compulsory.</p> <p>The aba in general wants to underline that sponsor support should be considered in a regulatory framework. Thus – assuming that the HBS should be introduced - within the HBS the balancing item approach for the valuation of sponsor support in combination with a model which is similarly simple as the PwC model (“M” approach), but which would not require calculating the HBS (for the “M” approach this is needed), but rather rely on a simpler measure (e.g. using technical provisions, market capitalization, total wages, etc.) should be part of the suggested approaches.</p>	
1.837.	ACA	Q46	Yes	Thank you for your comment.
1.838.	Actuarial Association of Europe	Q46	Yes. A stochastic approach, whilst more complex and costly, may be able to provide a materially more accurate measure of the value of sponsor support and its impact on member security. It therefore	Thank you for your comment.

			seems reasonable for the option to be available to IORPs that wish to undertake such an approach.	
1.839.	AEIP	Q46	<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>AEIP supports the principles-based IORP specific valuation of the support. The specificities of calculating the sponsor support should be left to the discretion of the member states and of IORPs providing them with the possibility to implement it appropriately and according to their own circumstances. A rules-based valuation would be too complex for incorporating all specificities of all IORPs in the EU and would require the competent authority or EIOPA having to prescribe a risk-neutral valuation set including assumptions for the modelling of options (like one or two parameter Hull-White model) and parameters and information on incomplete markets (like market prices for long horizons, standard deviations and correlations and missing markets (e.g. the prices for wage inflation).</p>	Thank you for your comment.
1.840.	AGV Chemie	Q46	Within this concept it should be avoided that sponsors support has to be calculated. However, a principle based approach with some	Thank you for your comment.

			additional Member State specifications would be preferable for such valuations. A stochastic modelling should be avoided.	
1.841.	Aon Hewitt	Q46	Yes – based on our experience of working with numerous defined benefit IORPs and sponsors across the EEA, we agree that there should be a principles-based IORP specific valuation of sponsor support. We believe this is particularly true in the UK (the largest IORP market in the EEA) where IORPs already have to allow for sponsor support when determining the level of future contributions. Moving away from a principles-based approach would, in our opinion, be a backwards step for member protection in the UK.	Thank you for your comment.
1.842.	Association of Pension Lawyers	Q46	<p>1. If it became a legal requirement for a Member State to adopt some type of methodology in respect of funding of IORPs over and beyond that required by the IORP Directive, then the least worst approach would be to adopt a principles based approach.</p> <p>2. The reason for this is that a principles based approach provides for a more proportionate approach to the way in which guaranteed benefits in IORPs are to be funded and reflects the differing legal and social contexts within which retirement provision is made within different Member States in the European Union.</p> <p>3. In this context, it may be noted that the fact that:</p> <p>a) a particular EU Member State (e.g. the UK) has a large funded IORP degree of pension provision, while</p> <p>b) other EU Member States (e.g. France and Germany) have a different approach to retirement provision, which means that the IORP Directive is largely irrelevant to such a Member State,</p> <p>further indicates the lack of proportionality of the regulatory approach.</p> <p>4. To illustrate the point, it would be perfectly feasible for the UK</p>	Thank you for your comment.

			to enact legislation to allow employers to restructure their funded occupational pension schemes so that they became book reserve schemes (thereby falling within Article 2(2)(e) of the IORP Directive (which would then render this particular consultation irrelevant)), supported by security over charged assets corresponding to the existing assets of the UK IORP.	
1.843.	BAPI	Q46	<p>Q46: Do stakeholders agree that technical specifications should allow for a principles-based, IORP specific valuation of sponsor support? Please explain.</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. A principle based approach give some structure at one hand but also allows IORPs, with a coordinating role for the member states/national control authorities, to adopt calculations to the specific characteristics of their own situation, their own way of organizing pensions, their specific environment including national regulation and</p>	Thank you for your comment.

			<p>national social security systems.</p> <p>From the previous QIS exercise we learned that a “one size fits all” approach results in very complex calculations in order to incorporate all specificities across the EU even if they are only useful for a few IORPs. A principle based approach with a lot of maneuver space to each member state/national control authorities might make the calculations more feasible for each of the IORPs, including the smaller and medium sized. Stochastic approaches might be more accurate but are too complex and too costly for most of the IORPs, therefore we welcome the many more practical approaches in this consultation document including the balancing item approach which makes most sense.</p>	
1.844.	Barnett Waddingham LLP	Q46	We would prefer an approach where the value of sponsor support is simply taken as the balancing item.	Thank you for your comment.
1.845.	BASF SE	Q46	We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept it should be avoided that sponsors support has to be calculated. However, a principle based approach with some additional member state specifications would be preferable for such valuations. A stochastic modelling should be avoided.	Thank you for your comment.
1.846.	BDA	Q46	Within this concept it should be avoided that sponsors support has to be calculated. However, a principle based approach with some additional Member State specifications would be preferable for such valuations. A stochastic modelling should be avoided.	Thank you for your comment.
1.847.	Better Finance	Q46	Better Finance recognizes EIOPA as a sound regulatory and supervisory authority and thus leaves this decision to EIOPA as it claims in 4.145 that “EIOPA will consider carefully how to ensure that	Thank you for your comment.

			<p>these methods and stochastic models produce comparable outcomes".</p> <p>However, strong emphasis should be in place to ensure that methods developed by national supervisors will converge (not diverge) in time and will come closer to the probabilistic models rather than deterministic ones.</p>	
1.848.	British Telecommunications plc	Q46	<p>Q46: Do stakeholders agree that technical specifications should allow for a principles-based, IORP specific valuation of sponsor support? Please explain.</p> <p>Yes. However, we would go beyond this: We do not agree with the concept of the holistic balance sheet in the first place. However, any holistic balance sheet should also allow for a principles-based, IORP-specific qualitative assessment of sponsor support.</p> <p>In the UK, the assessment of sponsor support forms a key part of funding negotiations. Trustees will have access to information of various kinds to enable them to assess that support, ranging from quantitative metrics to more qualitative assessments of the employer's future business prospects and commitment to the pension scheme. Any attempt to reduce this complex array of information to a single number is bound to produce results that are costly, spurious and misleading.</p> <p>There are also a range of other protections often sought by trustees, which are not captured by a simple covenant value. This could include protections over the level of dividend payments by the company or negative pledges, where no superior security to the pension scheme can be granted.</p>	Thank you for your comment.

1.849.	Candriam	Q46	<p>Do stakeholders agree that technical specifications should allow for a principles-based, IORP specific valuation of sponsor support? Please explain.</p> <p>We doubt sponsor support could be effectively captured by a single figure, whatever the underlying principle of valuation. The soundness of a funding policy is what really matters and can include an assessment of affordability.</p> <p>Should sponsor support be valued, technical specifications should be principle based, in order to allow for the diversity of types of sponsor support arrangements in Europe to be considered.</p>	Thank you for your comment.
1.850.	CEEP	Q46	<p>Support of a principle based and IORP specific approach to regulating IORPs instead of an inadequate „one-size-fits-all“-approach for all types of IORPs that leaves the specifics to be set by member states. This enables to cover a broad range of different types of IORPs and sponsors as well as country specific differences and to find suitable solutions. Thus the regulatory specifics should be set by member states including a variety of equivalent approaches and leaving it up to the IORP to decide which approach to choose</p>	Thank you for your comment.
1.851.	Compass Group PLC	Q46	<p>Q46: Do stakeholders agree that technical specifications should allow for a principles-based, IORP specific valuation of sponsor support? Please explain.</p>	Thank you for your comment.

			<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>Yes. However, we would go beyond this: we think that any holistic balance sheet should also allow for a principles-based, IORP-specific qualitative assessment of sponsor support.</p> <p>In the UK, the assessment of sponsor support forms a key part of funding negotiations. Trustees will have access to information of various kinds to enable them to assess that support, ranging from quantitative metrics to more qualitative assessments of the employer's future business prospects and commitment to the pension scheme. Any attempt to reduce this complex array of information to a single number is bound to produce results that are spurious and misleading.</p>	
1.852.	D & L Scott	Q46	My earlier answers to Q12 and Q36-38 apply. I favour IORP specific valuation, subject to professional and regulatory scrutiny through actuarial and audit processes.	Thank you for your comment.
1.853.	EAPSPI	Q46	EAPSPI is still of the opinion that the concept of the HBS should not be applied to IORPs as the HBS and the calculation of the SCR fully remain on the Solvency II structure regarding the market-consistent valuation of assets and liabilities and the assessing and quantifying of risks. We regard this approach as unsuitable for IORPs and the long term nature of pensions because it delivers inadequate management incentives.	Thank you for your comment.

			<p>But if the HBS were to be applied to IORPs, we would agree to a principles-based and IORP specific approach to valuing sponsor support instead of an inadequate “one-size-fits-all”-approach for all types of IORPs. This enables to cover a broad range of different types of IORPs and sponsors as well as country specific differences and to find suitable solutions. Thus the regulatory specifics should be set by member states (see Q36) including a variety of equivalent approaches and leave it up to the IORP to decide which approach to choose (including particularly the balancing item approach). In addition further deterministic simplifications by member states to consider national circumstances should be allowed for. A stochastic modelling or explicit cash-flow-modelling should not be compulsory.</p>	
1.854.	EEF	Q46	<p>The shift to a scheme (or IORP-) specific approach in the UK has achieved a more sustainable balance between protection of pension benefits in the short and long term and the long-term future of the sponsor. This IORP-specific approach also makes it easier to accommodate the variety of complex corporate structures.</p> <p>Any EU-developed principles should be very high-level and national regulators should be able to determine the most appropriate approach for that particular Member State.</p>	Thank you for your comment.
1.855.	Eversheds LLP	Q46	<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>	Thank you for your comment.

			<p>Yes, Eversheds agrees that a principles-based, IORP-specific approach to valuation of sponsor support should form part of the Holistic Balance Sheet regime. The principles themselves should be high-level with the specifics left to national regulators to determine.</p> <p>However, this approach might not be suitable for all schemes, particularly, smaller IORPs given the cost that may be involved in developing an IORP specific approach. Therefore, we suggest that IORPs should be able to choose between adopting an IORP-specific approach or a prescribed approach.</p>	
1.856.	Evonik Industries AG	Q46	<p>Within this concept it should be avoided that sponsors support has to be calculated. However, a principle based approach with some additional Member State specifications would be preferable for such valuations. A stochastic modelling should be avoided.</p>	Thank you for your comment.
1.857.	FSUG	Q46	<p>FSUG recognizes EIOPA as a sound regulatory and supervisory authority and thus leaves this decision to EIOPA as it claims in 4.145 that "EIOPA will consider carefully how to ensure that these methods and stochastic models produce comparable outcomes".</p> <p>However, strong emphasis should be in place to ensure that methods developed by national supervisors will converge (not diverge) in time and will come closer to the probabilistic models rather than deterministic ones.</p>	Thank you for your comment.
1.858.	GDV	Q46	<p>Do stakeholders agree that technical specifications should allow for a principles-based, IORP specific valuation of sponsor support? Please explain.</p>	Thank you for your comment.

			A principle-based approach is necessary, since a stochastic evaluation would lead to a high level of complexity.	
1.860.	Heathrow Airport Limited	Q46	<p>Q46: Do stakeholders agree that technical specifications should allow for a principles-based, IORP specific valuation of sponsor support? Please explain.</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>Yes. However, we would go beyond this: we think that any holistic balance sheet should also allow for a principles-based, IORP-specific qualitative assessment of sponsor support.</p> <p>In the UK, the assessment of sponsor support forms a key part of funding negotiations. Trustees will have access to information of various kinds to enable them to assess that support, ranging from quantitative metrics to more qualitative assessments of the employer's future business prospects and commitment to the pension scheme. Any attempt to reduce this complex array of information to a single number is bound to produce results that are spurious and misleading.</p>	Thank you for your comment.
1.861.	Hoechst-Gruppe VVaG	Q46	The concept of the HBS should not be applied to IORPs as the HBS	Thank you for your

			<p>and the calculation of the SCR fully rest on the Solvency II structure regarding the market consistent valuation of assets and liabilities and the assessment and quantification of risks. We regard this approach as unsuitable for IORPs and the long term nature of pensions because it delivers inadequate management incentives.</p> <p>But assuming the HBS would be applied to IORPs we agree to a principles-based and IORP specific approach to valuing sponsor support instead of an inadequate „one-size-fits-all“-approach for all types of IORPs. This enables to cover a broad range of different types of IORPs and sponsors as well as country specific differences and to find suitable solutions. Thus the regulatory specifics should be set by Member States (see Q36) including a variety of equivalent approaches and leaving it up to the IORP to decide which approach to choose (including particularly the balancing item approach). In addition further deterministic simplifications by Member States to consider national circumstances should be allowed. A stochastic modeling or explicit cash-flow-modeling should not be compulsory.</p> <p>In particular, we want to underline that sponsor support should be considered in a regulatory framework. Thus – assuming that the HBS should be introduced - within the HBS the balancing item approach for the valuation of sponsor support in combination with a model which is similarly simple as the PwC model (“M” approach), but which would not require calculating the HBS (for the “M” approach this is needed), but rather rely on a simpler measure (e.g. using technical provisions, market capitalization, total wages, etc.) should be part of the suggested approaches.</p>	comment.
1.862.	IFoA	Q46	Yes this may be appropriate, but the IFoA considers that national	Thank you for your

			supervisors should give guidance on when this approach may be used.	comment.
1.863.	IVS	Q46	We agree with a principles-based and IORP specific approach to valuing sponsor support instead of an inadequate „one-size-fits-all“-approach for all types of IORPs. This enables the coverage of a broad range of different types of IORPs and sponsors as well as country specific differences and to find sufficiently appropriate solutions. Thus, the regulatory specifics should be set by Member States.	Thank you for your comment.
1.864.	Jane Marshall Consulting	Q46	Valuation of sponsor support (to the extent that it needs to be quantified) should be left to national authorities.	Thank you for your comment.
1.865.	NAPF	Q46	<p>Q46: Do stakeholders agree that technical specifications should allow for a principles-based, IORP specific valuation of sponsor support? Please explain.</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 a principles-based, IORP-specific approach to valuation of sponsor support should form part of the Holistic Balance Sheet system.</p> <p>Although EIOPA is right to note that this approach might not appeal to smaller IORPs, large and / or complex IORPs, including multi-employer schemes, are likely to welcome the opportunity to use an approach that takes full account of their own particular circumstances.</p>	Thank you for your comment.

			<p>The NAPF proposes that trustees should be allowed to choose between the IORP-specific, principles-based approach and the off-the-shelf approach.</p> <p>The principles themselves should be very high-level and left to national regulators to determine.</p>	
1.868.	Otto Group	Q46	<p>Within this concept it should be avoided that sponsors support has to be calculated. However, a principle based approach with some additional Member State specifications would be preferable for such valuations. A stochastic modelling should be avoided.</p>	Thank you for your comment.
1.870.	Pensioenfederatie	Q46	<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 the principle based IORP-specific valuation of the sponsor</p>	Thank you for your comment.

			support. The specificities of calculating the sponsor support should be left to the discretion of the Member States and of IORPs. This would provide them with the possibility to implement it appropriately and according to their own circumstances. A rules-based valuation would be too complex for incorporating all specificities of all IORPs in the EU. In addition, the competent authority or EIOPA would have to prescribe a risk-neutral valuation set including assumptions for the modelling of options (like the one or two parameter Hull-White model), parameters and information on incomplete markets (like market prices for long horizons, standard deviations and correlations and missing markets (e.g. the prices for wage inflation)).	
1.871.	PensionsEurope	Q46	<p>Do stakeholders agree that technical specifications should allow for a principles-based, IORP specific valuation of sponsor support? 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>PensionsEurope supports the principles-based IORP specific valuation of the sponsor support. The specificities of calculating the sponsor support should be left to the discretion of the Member States and of IORPs providing them with the possibility to implement it appropriately and according to their own circumstances. This enables to cover a broad range of different types of IORPs and sponsors as well as</p>	Thank you for your comment.

			<p>country specific differences and to find suitable solutions. We highlight that the principles themselves should be very high-level and left to national regulators to determine.</p> <p>As emphasized by PensionsEurope (and shown from the QIS) in the previous rounds of consultations, a “one-size-fits-all” rules-based valuation would be too complex for incorporating all specificities of all IORPs in the EU and would require the competent authority or EIOPA having to prescribe a risk-neutral valuation set including assumptions for the modelling of options (like one or two parameter Hull-White model) and parameters and information on incomplete markets (like market prices for long horizons, standard deviations and correlations and missing markets (e.g. the prices for wage inflation)).</p> <p>Although EIOPA is right to note that the probabilistic approach might not appeal to smaller IORPs, on the other side, large and / or complex IORPs (including multi-employer schemes) are likely to welcome the opportunity to use an approach that takes full account of their own particular circumstances.</p> <p>In addition further deterministic simplifications by Member States to consider national circumstances should be allowed for. A stochastic modelling or explicit cash-flow-modeling should not be compulsory.</p>	
1.872.	PricewaterhouseCoopers	Q46	<p>Yes</p> <p>A highly prescriptive valuation approach is very likely to produce materially wrong answers for large numbers of sponsors whose</p>	Thank you for your comment.

			<p>specific circumstances can not be adequately addressed using such a formulaic approach.</p> <p>Consistency of method is a worthwhile sacrifice to derive more sensible conclusions which are sponsor specific. A principles based approach would also be consistent with how business and asset valuation is addressed in the world of accounting and financial reporting more generally. For example, under International Financial Reporting Standards, the concept of fair value as it relates to un-listed businesses (the majority of sponsors) is defined and guidance is provided on how this should be interpreted, but there is no prescriptive methodology set out telling the valuer how the calculation should be performed.</p>	
1.873.	Punter Southall	Q46	Yes	Thank you for your comment.
1.876.	RPTCL	Q46	<p>We might be able to be supportive of a principle-based approach – but only where the principles are reasonable. In practice, what seems to be being proposed is a principle of “market consistency” which 4.106 suggests is some form of discounted cash flow (“DCF”) approach reflecting a range of variables. The document acknowledges some of the difficulties with this (but by no means all).</p> <p>We reiterate that any forward looking DCF calculation – to the extent that forecast cashflows are even available – is subject to a vast range of uncertainties and variables and inevitably a degree of potential manipulation. Further, it would only be a “point in time” assessment of an enterprise when set against liabilities which may extend for decades. Like share prices, the assumptions underpinning this highly time-consuming and expensive exercise would be rapidly superseded as there were further developments in market conditions and</p>	Thank you for your comment.

			<p>commercial circumstances.</p> <p>We see no meaningful value in this exercise: for quoted sponsors, there are market capitalisations available reflecting publicly available information ; for unquoted sponsors, the DCF approach would require the expensive and time-consuming generation of long term cash-flow forecasts and then the conduct of the valuation exercise itself for what is only a “point in time” purpose and subject to a huge range of assumptions.</p> <p>If “market consistent” means a DCF approach, then we do not agree with the overarching principle.</p> <p>If “market consistent” means that IORPs and sponsors would be obliged to consider sponsor support “ in the round” when arriving at technical provisions – without any DCF or similar prescriptive obligations – then we would be supportive of this approach (which is consistent with the existing UK approach).</p> <p>In the sectionalised Railways Pension Scheme – with more than 150 employers supporting more than 100 stand-alone sections – our experience over a number of years is that sponsor support must be looked at “in the round”.</p>	
1.877.	Siemens Pensionsfonds	Q46	<p>Within this concept it should be avoided that sponsors support has to be calculated. However, a principle based approach with some additional Member State specifications would be preferable for such valuations. A stochastic modelling should be avoided.</p>	Thank you for your comment.

1.878.	Society of Pension Professionals	Q46	<p>Do stakeholders agree that technical specifications should allow for a principles-based, IORP specific valuation of sponsor support? 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> <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>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	Thank you for your comment.
1.879.	Towers Watson	Q46	<p>Do stakeholders agree that technical specifications should allow for a principles-based, IORP specific valuation of sponsor support? Please explain.</p> <p>We agree that the specifications need to allow for a principles based, specific valuation of sponsor support in order to accommodate IORPs</p>	Thank you for your comment.

			who have the resources and inclination to use detailed specific modelling.	
1.880.	United Utilities Group	Q46	<p>Q46: Do stakeholders agree that technical specifications should allow for a principles-based, IORP specific valuation of sponsor support? Please explain.</p> <p>Yes. However, we would go beyond this: we think that any holistic balance sheet should also allow for a principles-based, IORP-specific qualitative assessment of sponsor support.</p> <p>Our pension scheme Trustee assesses our covenant, using external advisers where necessary, on an ongoing basis and we work with them to ensure they have the information required to do so. The Pensions Regulator in the UK monitors this process and has an interest to ensure that it is correctly performed given their role with the Pensions Protection Fund for case where the covenant has been lost and the fund is unable to support the beneficiaries.</p> <p>Our Trustees have access to information of various kinds to enable them to assess that support, ranging from quantitative metrics to more qualitative assessments of the employer's future business prospects and commitment to the pension scheme. The fact that we are a regulated utility, for example, is material element of our covenant and we do not believe that it is possible to quantify to place a single number on this.</p> <p>Any attempt to reduce this complex array of information to a single number is bound to produce results that are spurious and misleading.</p>	Thank you for your comment.

1.881.	ZVK-Bau	Q46	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes.	Thank you for your comment.
1.882.	OPSG	Q47	The OPSG does not have sufficient technical experience of valuing sponsor support using stochastic techniques to comment on this but accept that guidance may well be useful to practitioners in some areas. It is important that any guidance does not detract from the principles-based approach EIOPA is minded to adopt.	Thank you for your comment.
1.883.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q47	No guidance by EIOPA is needed. As suggested in Q36 and Q46 the regulatory specifics as well as practical guidance should be set by Member States to make sure that a broad range of different types of IORPs and sponsors as well as country specific differences are adequately covered. This approach would most likely originate suitable solutions for valuation of sponsor support.	Thank you for your comment.
1.884.	Actuarial Association of Europe	Q47	Guidance or principles to be adhered to in the following areas will likely be necessary: <input type="checkbox"/> Principles for setting assumptions for the modelling of the size, timing and incidence of future sponsor support cashflows. <input type="checkbox"/> Principles for setting assumptions for the probability of default of the sponsosr and how this correlates with the size of the IORP's assets and liabilities. <input type="checkbox"/> Principles for setting assumptions for the modelling of the asset strategy of the IORP. <input type="checkbox"/> Principles for setting assumptions for the modelling of what is	Thank you for your comment.

			<p>recoverable from the sponsor in the event of sponsor default.</p> <p><input type="checkbox"/> Technical stochastic modelling guidance on the joint specification of probabilities (for sponsor default and asset returns) and discount rates for sponsor support that conform to market-consistent valuation principles.</p>	
1.885.	AEIP	Q47	<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>AEIP believes that sponsor support valuation should be detailed at national level. As such, we believe that further guidance should be given by national supervisors. See for instance Q36 and Q46.</p> <p>Regarding the areas where more guidance would be needed at national level, we would welcome more guidance on the allowance for credit risk in the calculation of sponsor support under the stochastic modelling approach. In addition, it is not clear what principle should be used for the allowance of credit risk and affordability in case of multi employers IORPs and multi IORPs sponsors.</p>	Thank you for your comment.
1.886.	AGV Chemie	Q47	No guidance of EIOPA is needed.	Thank you for your

				comment.
1.887.	Aon Hewitt	Q47	<p>We believe member states and specific industries should be allowed to develop their own guidance as they are likely to have the closest insight into how sponsor strength (in relation to pension schemes) can be assessed for various industries in each country.</p> <p>To help with this, EIOPA could expand on the areas in the 2013 discussion paper on sponsor support. Key areas for more guidance would be for multi-employer/industry-wide IORPs; sponsors with multiple IORPs; IORPs supported by sponsors that are part of large or complex international groups; IORPs supported by sponsors in the non-profit sectors; IORPs supported by governments and/or local authorities.</p>	Thank you for your comment.
1.888.	Association of Pension Lawyers	Q47	None	Thank you for your comment.
1.889.	BAPI	Q47	<p>Q47: In what areas of valuation of sponsor support would it be most useful for EIOPA to specify guidance? Please explain and describe the possible contents of such guidance.</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>	Thank you for your comment.

			<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>We believe not EIOPA but the national control authority is best placed to provide guidance about the ranking of the different balancing item approaches, the proportionality principles, further assessment of sponsor support, etc.... We believe for those IORPs which would like to use the stochastic valuation, more guidance is needed on the different areas where complex modelling is required. For reasons of proportionality, this is of less importance for the Belgian IORPs.</p>	
1.890.	BASF SE	Q47	<p>We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept all regulatory specifics and practical guidance should be set by Member States.</p>	Thank you for your comment.
1.891.	BDA	Q47	<p>No guidance of EIOPA is needed.</p>	Thank you for your comment.
1.892.	British Telecommunications plc	Q47	<p>Q47: In what areas of valuation of sponsor support would it be most useful for EIOPA to specify guidance? Please explain and describe the possible contents of such guidance.</p> <p>None. These are matters that should be determined in each Member State against the backdrop of its own supervisory regime.</p>	Thank you for your comment.
1.893.	Candriam	Q47	<p>In what areas of valuation of sponsor support would it be most useful</p>	Thank you for your

			<p>for EIOPA to specify guidance? Please explain and describe the possible contents of such guidance.</p> <p>As we already stated in other consultations, none of the presented models for valuing sponsor support seems to be workable. In a limited number of cases, “Alternative Simplified Approach” can give an indication of the sponsor strength relative to a funding need. It can be helpful for affordability assessment purpose, though all the following valuation model seems indeed quite arbitrary.</p>	comment.
1.894.	Compass Group PLC	Q47	<p>Q47: In what areas of valuation of sponsor support would it be most useful for EIOPA to specify guidance? Please explain and describe the possible contents of such guidance.</p>	
1.895.	D & L Scott	Q47	<p>I would prefer that EIOPA restricts its guidance to short, principle-based frameworks. My general comments at the outset about this current 163-page consultation with its 111 questions does not inspire me with confidence that EIOPA is capable in its present mindset of providing such brief, overarching principles.</p> <p>As a professional trustee, I have operated within the four Cardinal Virtues of Prudence, Justice, Temperance and Fortitude, with Prudence pre-eminent among these four. As a professional account, I have operated within an overarching principle of a True & Fair View. I have also used Prudence within accounting, although regrettably the accounting standard setters in a far more rules-based approach in recent decades have downgraded Prudence and given primacy to Consistency, while at the same time being oblivious to the shortcomings in terms of Neutrality of their influence.</p>	Thank you for your comment.

1.896.	EAPSPI	Q47	<p>EAPSPI is of the opinion that no guidance of EIOPA is needed.</p> <p>As suggested in Q36 and Q46 the regulatory specifics as well as practical guidance should be set by member states to make sure that a broad range of different type of IORPs and sponsors as well as country specific differences are adequately covered. This approach would most likely produce suitable solutions for valuation of sponsor support.</p>	Thank you for your comment.
1.897.	EEF	Q47	<p>Any EU-developed principles should be very high-level only and national regulators should be able to determine the most appropriate approach to valuing sponsor support for that particular Member State. EIOPA guidance is not therefore necessary.</p>	Thank you for your comment.
1.898.	Eversheds LLP	Q47	<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>This should be left for national regulators to decide.</p>	Thank you for your comment.
1.899.	Evonik Industries AG	Q47	<p>No guidance of EIOPA is needed.</p>	Thank you for your comment.
1.900.	FFSA	Q47	<p>Both sponsor support definition and valuation rules should be decided at EU level (modelling of the size, timing horizon and incidence of future sponsor support cashflows, probability of default of the sponsor,</p>	Thank you for your comment.

			what is recoverable from the sponsor in the event of sponsor default, stochastic modelling guidance on probabilities of sponsor default and asset returns, discount rates for sponsor support).	
1.901.	GDV	Q47	In what areas of valuation of sponsor support would it be most useful for EIOPA to specify guidance? Please explain and describe the possible contents of such guidance.	
1.903.	Heathrow Airport Limited	Q47	Q47: In what areas of valuation of sponsor support would it be most useful for EIOPA to specify guidance? Please explain and describe the possible contents of such guidance.	
1.904.	Hoechst-Gruppe VVaG	Q47	<p>No guidance by EIOPA is needed.</p> <p>As suggested in Q36 and Q46 the regulatory specifics as well as practical guidance should be set by Member States to make sure that a broad range of different types of IORPs and sponsors as well as country specific differences are adequately covered. This approach would most likely originate suitable solutions for valuation of sponsor support.</p>	Thank you for your comment.
1.905.	IFoA	Q47	The IFoA considers that national supervisors should specify guidance.	Thank you for your comment.
1.906.	IVS	Q47	n.a.	
1.907.	Jane Marshall Consulting	Q47	We do not think that EIOPA has a role in specifying guidance. The matter is one for national authorities.	Thank you for your comment.
1.908.	NAPF	Q47	Q47: In what areas of valuation of sponsor support would it be most useful for EIOPA to specify guidance? Please explain and describe the	Thank you for your comment.

			<p>possible contents of such guidance.</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 left to national regulators to decide.</p>	
1.911.	Otto Group	Q47	No guidance of EIOPA is needed.	Thank you for your comment.
1.913.	Pensioenfederatie	Q47	<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 would welcome more guidance on the allowance for credit risk concerning the calculation of sponsor support under the stochastic modelling approach. In addition, in case of multi employer- and sponsor IORPs it is not clear what principle should be used for the</p>	Thank you for your comment.

			allowance of credit risk and affordability.	
1.914.	PensionsEurope	Q47	<p>In what areas of valuation of sponsor support would it be most useful for EIOPA to specify guidance? Please explain and describe the possible contents of such guidance.</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 believe the national control authorities are best placed to provide guidance about the ranking of the different balancing item approaches, the proportionality principles, further assessment of sponsor support, etc.</p> <p>We would welcome more guidance from EIOPA on the allowance for credit risk in the calculation of sponsor support under the stochastic modelling approach. In addition, it is not clear what principle should be used for the allowance of credit risk and affordability in case of multi employer IORPs and multi IORP sponsors.</p>	Thank you for your comment.
1.917.	RPTCL	Q47	<p>If “market consistent” means that IORPs and sponsors would be obliged to consider sponsor support “in the round” when arriving at technical provisions – without any discounted cash flow or similar</p>	Thank you for your comment.

			prescriptive obligations – then it might be helpful for EIOPA to highlight some of the potential issues and approaches IORPs and their sponsors could consider in their deliberations, such as possible bases for asset valuation ; consideration of inter-creditor issues including security ranking; and issues relevant to groups of companies – to mention but a few.	
1.918.	Siemens Pensionsfonds	Q47	No guidance of EIOPA is needed.	Thank you for your comment.
1.919.	Society of Pension Professionals	Q47	<p>In what areas of valuation of sponsor support would it be most useful for EIOPA to specify guidance? Please explain and describe the possible contents of such guidance.</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>	Thank you for your comment.

			Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.	
1.920.	Towers Watson	Q47	<p>In what areas of valuation of sponsor support would it be most useful for EIOPA to specify guidance? Please explain and describe the possible contents of such guidance.</p> <p>In our view, valuation of sponsor support should be a matter for individual Member States and national competent authorities. If, however, an EU-wide application of the HBS is considered to be appropriate by policy makers, we believe guidance should be provided on:</p> <ul style="list-style-type: none"> • Items which should be allowed for in the best estimate of sponsor cashflows • What future payments from the sponsor to the IORP should be allowed for • Modelling the default of the sponsor • Modelling the future deficit of the IORP and how this should affect sponsor payments • Modelling recovery on default 	Thank you for your comment.
1.921.	United Utilities Group	Q47	Q47: In what areas of valuation of sponsor support would it be most useful for EIOPA to specify guidance? Please explain and describe the possible contents of such guidance.	Thank you for your comment.
1.922.	ZVK-Bau	Q47	If HBS despite all warnings becomes part of the regulatory framework for IORPs the research and guidance should be provided by the national supervisory agencies to guarantee the correct implementation within a principles based approach.	Thank you for your comment.

1.923.	OPSG	Q48	No.	Thank you for your comment.
1.924.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q48	Compulsory stochastic modeling should be avoided.	Thank you for your comment.
1.925.	Actuarial Association of Europe	Q48	No.	Thank you for your comment.
1.926.	AEIP	Q48	<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>AEIP asserts that the choice of running valuation by using stochastic models should be left to the discretion of Member States.</p> <p>If some of the MS decide to establish or already are using stochastic models, we would welcome more guidance on the calculation of the maximum sponsor support under the stochastic modelling approach.</p> <p>The major issues with regard to this approach are:</p>	Thank you for your comment.

		<ol style="list-style-type: none"> 1. The projection horizon 2. The application of a UFR 3. Unobservable parameters (like (wage) inflation, volatilities and correlations) 4. Model/parameter sensitivity <p>The value of the steering mechanisms depends substantially on the evaluation horizon chosen in the valuation. Some Dutch IORPs participating in the IORP QIS 1 that used a risk neutral valuation used a projection horizon of 100 years, whereas others used a horizon equal to the duration of the liabilities. This results in a situation in which the HBSs for the different IORPs are not comparable, as IORPs automatically raise the absorption of shocks on the HBS by increasing the projection horizon.</p> <p>In general, we agree with the use of the UFR approach, while noting that its application conflicts with the principles of pure market consistent valuation. As the value of the embedded options in a pension contract cannot be derived from market prices, risk neutral scenarios need to be determined based on a risk free nominal interest rate curve. This curve can be observed in the financial markets, but does not include any UFR. By overwriting market prices by applying an UFR approach, one changes for instance the value of nominal liabilities. Another issue with the UFR is that it is impossible to calculate the impact of interest rate shocks properly.</p> <p>For some economic variables that are used in the valuation of the HBS there is no market information available or the financial markets are</p>	
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			<p>not liquid enough to provide reliable prices. For these variables, such as (wage) inflation, volatilities and correlations, IORPs need to set an assumption, which leads to possible differences in the valuation of the HBS between IORPs.</p> <p>But even if all market information is available, IORPs can select from a wide range of risk neutral valuation models. Some financial institutions define tailored models to price a very specific derivative. This can be illustrated by the fact that the models that banks use for pricing interest rate caps differ from the models for pricing swaptions, whereas both derivatives are subject to the same interest rate risk. Tailored models make calibration easier and are therefore believed to make pricing more accurate. When the payoffs of a claim depend on several economic variables such as interest rates, inflation and equity returns, these variables need to be incorporated. One then arrives at more broadly defined models. In this case more model risk is present when valuation is done for products that are dissimilar to the ones that have been used for calibration.</p> <p>Apart from these issues the use of the stochastic modelling approach should be encouraged by the implication that in this approach the capital requirements are lower in comparison to using simplified methods. This may not always be the case.</p>	
1.927.	AGV Chemie	Q48	A compulsory stochastic modelling should be avoided.	Thank you for your comment.
1.928.	Aon Hewitt	Q48	Stochastic models can be very complex, and give different results depending on the underlying models used. It could be helpful for EIOPA to explore potential issues that IORPs should be aware of when	Thank you for your comment.

			developing stochastic models. We strongly favour an approach in which there is no compulsory requirement to use stochastic models (especially for smaller and medium sized IORPs).	
1.929.	Association of Pension Lawyers	Q48	No	Thank you for your comment.
1.930.	BAPI	Q48	<p>Q48: Are there any other issues in relation to stochastic models, which you believe should be covered?</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>For reasons of proportionality, this is of less importance for the Belgian IORPs.</p>	Thank you for your comment.
1.931.	BASF SE	Q48	We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept any compulsory stochastic modelling should be avoided.	Thank you for your comment.

1.932.	BDA	Q48	A compulsory stochastic modelling should be avoided.	Thank you for your comment.
1.933.	Compass Group PLC	Q48	Q48: Are there any other issues in relation to stochastic models, which you believe should be covered?	
1.934.	D & L Scott	Q48	<p>Critiques of stochastic models are often ignored – by the consultants who are peddling the models as part of their own business, by the regulators who appear to have been «captured» by the consultants and others.</p> <p>Using a holistic balance sheet approach, indeed any balance sheet approach, inevitably defines and restricts the analysis to managing «risks» that arise due to mismatches between the IORP's assets and liabilities.</p> <p>Taking the United Kingdom Pensions Regulator's concept of matching, for example, this is seldom made explicit, but if one bothers to look far enough (as I have) it is set out in Table 3, page 34 of the Pension Protection Fund 's Combined annex for the consultation on the future development of the pension protection levy, published in November 2008.</p> <p>The Pension Protection Fund's «proxy asset allocation» is: for active member liabilities, a 50% geared portfolio consisting of 100% in long-term fixed interest bonds, 100% in long-term index-linked bonds and 100% cash borrowing ; for deferred member liabilities, a similar 50% geared portfolio as for active member liabilities ; and for pensioner member liabilities a 100% allocation to long-term fixed interest bonds.</p>	Thank you for your comment.

			<p>In so doing, the Pension Protection Fund (and one of the Pensions Regulator's statutory objectives is to restrict calls on the protection scheme) were associating a fairly accurate estimate of bond asset duration with what might be described as a central estimate of a liability duration.</p> <p>The implicit rationale is in terms of identifying a correspondence based on an approximate equality between the assumed sensitivities of an asset class to interest rates and inflation and each liability type. There is a well-known technical term for this: modified duration.</p> <p>The matching concept assumes that appropriate government securities are available so that the assets to be held have the same modified duration as the liability stream, and for a marginal change in the interest rate the discounted present value of the liability stream will continue to be equal to the market value of the asset portfolio. Assets and liabilities are thus matched in an aggregate value sense, the technical term for which is « immunisation ».</p> <p>So-called "liability driven investment" (LDI) aims to match returns to the time frame over which the liabilities arise (say 20 years), so as to make the IORP fund less vulnerable to interest rate and inflation risks. Typically, LDIs use swaps and other derivatives to hedge against the risk of changes in the economic climate that might affect the value of their investments in the medium or long term. The United Kingdom Pensions Policy Institute reported that LDI assets under management in the UK increased from £243 billion at the end of 2010 to £312 billion at the end of 2011, an increase of almost 30%. These hedging arrangements can be highly complex and require specialist advice.</p>	
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			<p>The United Kingdom's National Association of Pension Funds in evidence to the English Law Commission commented that UK regulation 4 (which encompasses Article 18.1 of the IORP Directive) militates against the use of derivatives, which may only be used "in so far as they contribute to a reduction of risks; or facilitate efficient portfolio management".</p> <p>It seemed right, however, to the English Law Commission that pension funds should only use derivatives if trustees fully understand the implications. If this warning is required for large IORPs, it is even more necessary for smaller IORPs.</p> <p>It is apparent with LDI investment policies that the concepts of modified duration, duration-matching and immunisation are applied (almost?) exclusively to government bond portfolios, whether consisting solely of fixed interest or inflation-linked securities or both, with swaps and other derivatives used to «perfect» the matching.</p> <p>This approach is unnecessarily restrictive for at least two reasons:</p> <ol style="list-style-type: none"> 1. An alternative description of duration is the «discounted mean term» meaning the duration of an «optimal» portfolio as the money-weighted average number of years to the receipt of the cash flows. Thus, duration concepts have been applied to fixed interest bonds in particular (following the mantra that «pensions are bond-like») because the cash flows can be expressed in nominal terms, both coupon and redemption values, and after allowing for or abstracting from defaults, the interest rate used for discounting the cash flows is 	
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			<p>the yield to redemption. Similar application to index-linked bonds is a little more complicated as, although the index-linking conditions are specified, it is necessary to make an assumption about future inflation. But why is not considered possible to extend the concept of duration to other income-generating assets such as equities or real estate?</p> <p>An equity can be regarded as an irredeemable bond with a variable coupon, so common sense indicates that such a security is likely to have a long duration. I can also argue that an equity has characteristics in common with an index-linked bond because there is typically a regular income payment (dividends rather than coupon interest) with a growth component (and history tells us that the average rate of dividend growth has exceeded the average rate of price inflation over long periods).</p> <p>A real estate asset again has similar characteristics with a regular income payment (rents rather than coupon interest) and may have a realisable, albeit variable, exit valuation.</p> <p>There seem to be two explanations for why the duration concept is not conventionally applied to equities or real estate. First, the future cash flows cannot be defined with the same degree of certainty as for bonds, and, second, the expected rate of return for discounting purposes cannot be identified with a similar degree of certainty.</p> <p>Dechow, Sloan and Soliman's 2004 paper, Implied Equity Duration: A New Measure of Equity Risk, and Schroder and Esterer's 2012 working paper, A New Measure of Equity Duration: The Duration-Based Explanation of the Value Premium Revisited, have, however, provided</p>	
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			<p>a theoretical basis for and empirical estimates of equity duration. Their estimates of the mean equity duration are similar to the United Kingdom Pension Protection Fund's estimate of the mean index-linked gilt duration.</p> <p>Since the Pension Protection Fund's proxy asset allocation is not based on an exactly accurate comparison of estimated asset and liability duration, there seems to me to be an argument in favour of allowing equities and real estate to be considered in any list of assets for inclusion in the IORPs' proxy asset allocations.</p> <p>2. The Pensions Regulator's approach is also inconsistent with the Occupational Pension Schemes (Scheme Funding) Regulations 2005, which we have seen earlier above at Q12 are consistent with the IORP Directive 2003. This is because the Regulator is only permitting government or other high-quality bonds to be taken into account, rather than allowing each IORP's actual asset allocation and expected future asset allocation to be taken into account exclusively or as well.</p> <p>I am left with the clear impression that the exclusion of long-duration asset classes such as equities and real estate has been motivated, at least in part, by two underlying misconceptions.</p> <p>The first of these is the widespread acceptance in the actuarial and accounting professions of the idea that market values are good measures of (many even equate them with) «fair values», the only rationale for this being the discredited Efficient Markets Hypothesis. This has crept in at the same time as a loss of faith in the validity of assessed values of assets and liabilities as dependable indicators of</p>	
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			<p>the expected long run position. Consequently, the far more volatile market value of assets is compared with the less volatile assessed value of liabilities, although when the assessment process uses mark-to-market yields rather than long run averages then the volatility of liabilities is often not dissimilar to asset valuations.</p> <p>John Maynard Keynes in The General Theory of Employment, Interest and Money observed that «A conventional valuation which is established as the outcome of the mass psychology of a large number of ignorant individuals is liable to change violently as the result of a sudden fluctuation of opinion due to factors which do not really make much difference to the prospective yield, since there will be no strong roots of conviction to hold it steady».</p> <p>There is also the simpler point that there is no comparable market in liabilities to the ones which exist for most asset classes in an IORP portfolio. In the United Kingdom, for example, the trades in liabilities are measured in billions, whereas the assets are measured in trillions.</p> <p>The second misconception is the mantra that pensions should, at least according to regulators, and increasingly to trustees and their advisers, be funded only by investment in low risk assets, which currently is interpreted as being government bonds, either fixed interest or index-linked or some combination of both. If this is the case, then it appears the sole dimension of «risk» being emphasised is that due to default on either coupon or redemption receipts. While this dimension has some validity nevertheless, it is not the only dimension and it is restrictive because it ignores the essential dimension of investment risk identified by both John Maynard Keynes and Benjamin Graham.</p>	
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			<p>Benjamin Graham argued that we should think of risk as the «loss of value which is the result of the payment of an excessive price in relation to the intrinsic worth of the security». For example, we might note the gross redemption yield on United Kingdom's index-linked gilts has been consistently negative in recent years. This is only a recent phenomenon – similar periods in the 1990s showed average real yields well in excess of 3%.</p> <p>For further reading on these themes, I suggest the following:</p> <p>1. ON KEYNES AS AN INVESTOR, Cambridge Journal of Economics, Volume 37, Number 2, March 2013, pp 423–442.</p> <p>2. CHRISTIAN BIDARD: EN HOMMAGE CORDIAL in Economie, Mathematique et Histoire: Hommage à Christian Bidard, eds.F Tricou & D Leeman, Paris: Presses Universitaires de Paris Ouest, 2014, pp 145–152.</p>	
1.935.	Eversheds LLP	Q48		Thank you for your comment.
1.936.	Evonik Industries AG	Q48	A compulsory stochastic modelling should be avoided.	Thank you for your comment.
1.937.	GDV	Q48	Are there any other issues in relation to stochastic models, which you believe should be covered?	
1.939.	Heathrow Airport	Q48	Q48: Are there any other issues in relation to stochastic models, which	

	Limited		you believe should be covered?	
1.940.	Hoechst-Gruppe VVaG	Q48	Compulsory stochastic modeling should be avoided.	Thank you for your comment.
1.941.	IFoA	Q48	The IFoA considers that national supervisors should give guidance at whatever level of detail is appropriate for local conditions.	Thank you for your comment.
1.942.	IVS	Q48	n.a.	
1.943.	NAPF	Q48	<p>Q48: Are there any other issues in relation to stochastic models, which you believe should be covered?</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>	Thank you for your comment.
1.945.	Otto Group	Q48	A compulsory stochastic modelling should be avoided.	Thank you for your comment.
1.947.	Pensioenfederatie	Q48	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.	Thank you for your comment.

			<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. We would welcome more guidance on the calculation of the maximum sponsor support under the stochastic modelling approach.</p> <p>The major issues with regard to this approach are:</p> <ol style="list-style-type: none"> 1. The projection horizon 2. The application of a UFR 3. Unobservable parameters (like (wage) inflation, volatilities and correlations) 4. Model/parameter sensitivity <p>The value of the steering mechanisms depends substantially on the evaluation horizon chosen in the valuation. Some Dutch IORPs participating in the IORP QIS 1 that used a risk neutral valuation employed a projection horizon of 100 years, whereas others employed a horizon equal to the duration of the liabilities. This results in HBSs for the different IORPs not being comparable, as they automatically raise the shock absorption in the HBS by increasing the projection horizon.</p> <p>In general, we agree with the use of the UFR approach, while noting that its application conflicts with the principles of pure market consistent valuation. As the value of the embedded options in a</p>	
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			<p>pension contract cannot be derived from market prices, risk neutral scenarios need to be determined based on a risk free nominal interest rate curve. This curve can be observed in financial markets, but does not include any UFR. One changes for instance the value of nominal liabilities by overwriting market prices when applying an UFR approach. Another issue with the UFR is that it is impossible to calculate the impact of interest rate shocks properly.</p> <p>For some economic variables used in the valuation of the HBS no market information is available or the financial markets are not liquid enough to provide reliable prices. For these variables, such as (wage) inflation, volatilities and correlations, IORPs need to make an assumption leading to possible differences in the valuation of the HBS between IORPs.</p> <p>Even if all market information is available, IORPs can select from a wide range of risk neutral valuation models. Some financial institutions define tailored models to price a very specific derivative. This can be illustrated by the fact that models used by banks for pricing interest rate caps differ from the models for pricing swaptions, whereas both derivatives are subject to the same interest rate risk. Tailored models make calibration easier and therefore are supposed to make pricing more accurate. When the payoffs of a claim depend on several economic variables such as interest rates, inflation and equity returns, these variables need to be incorporated. This leads to more broadly defined models. In this case more model risk is present, if valuation is done for products that are dissimilar to the ones that have been used for calibration.</p> <p>Apart from these issues, the use of the stochastic modelling approach</p>	
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			should be encouraged because of the implication that capital requirements are lower in comparison to using simplified methods. This may however not always be the case.	
1.948.	PensionsEurope	Q48	<p>Are there any other issues in relation to stochastic models, which you believe should be covered?</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 we would welcome advices on the calculation of the maximum sponsor support under the stochastic modelling approach.</p> <p>The major issues with regard to this approach are:</p> <ol style="list-style-type: none"> 1. The projection horizon 2. The application of a UFR 3. Unobservable parameters (like (wage) inflation, volatilities and correlations) 4. Model/parameter sensitivity 	Thank you for your comment.

			<p>The value of the steering mechanisms depends substantially on the evaluation horizon chosen in the valuation. Some Dutch IORPs participating in the IORP QIS 1 that used a risk neutral valuation used a projection horizon of 100 years, whereas others used a horizon equal to the duration of the liabilities. This results in a situation in which the HBSs for the different IORPs are not comparable, as IORPs automatically raise the absorption of shocks on the HBS by increasing the projection horizon.</p> <p>In general, we agree with the use of the UFR approach, while noting that its application conflicts with the principles of pure market consistent valuation. As the value of the embedded options in a pension agreement cannot be derived from market prices, risk neutral scenarios need to be determined based on a risk free nominal interest rate curve. This curve can be observed in the financial markets, but does not include any UFR. By overwriting market prices by applying an UFR approach, one changes for instance the value of nominal liabilities. Another issue with the UFR is that it is impossible to calculate the impact of interest rate shocks properly.</p> <p>For some economic variables that are used in the valuation of the HBS there is no market information available or the financial markets are not liquid enough to provide reliable prices. For these variables, such as (wage) inflation, volatilities and correlations, IORPs need to set an assumption, which leads to possible differences in the valuation of the HBS between IORPs.</p> <p>But even if all market information is available, IORPs can select from a wide range of risk neutral valuation models. Some financial institutions</p>	
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			<p>define tailored models to price a very specific derivative. This can be illustrated by the fact that the models that banks use for pricing interest rate caps differ from the models for pricing swaptions, whereas both derivatives are subject to the same interest rate risk. Tailored models make calibration easier and are therefore believed to make pricing more accurate. When the payoffs of a claim depend on several economic variables such as interest rates, inflation and equity returns, these variables need to be incorporated. One then arrives at more broadly defined models. In this case more model risk is present when valuation is done for products that are dissimilar to the ones that have been used for calibration.</p> <p>Apart from these issues the use of the stochastic modelling approach should be encouraged by the implication that in this approach the capital requirements are lower in comparison to using simplified methods. This may not always be the case.</p> <p>Finally, PensionsEurope emphasizes using stochastic modelling should remain voluntary.</p>	
1.951.	RPTCL	Q48	<p>We believe that these are of little value in the vast majority of circumstances and are likely to be overly-complex, time-consuming and ultimately not reflective of reality. If IORPs or their sponsors want to undertake stochastic modelling as part of considering sponsor support “in the round”, then they should be able to discuss and agree the scope and approach to this in their relevant circumstances.</p>	Thank you for your comment.
1.952.	Siemens Pensionsfonds	Q48	<p>A compulsory stochastic modelling should be avoided.</p>	Thank you for your comment.
1.953.	Society of Pension	Q48	<p>Are there any other issues in relation to stochastic models, which you</p>	Thank you for your

	Professionals		<p>believe should be covered? 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>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	comment.
1.954.	Towers Watson	Q48	Are there any other issues in relation to stochastic models, which you believe should be covered? No. There are no further issues that we would wish to have covered.	Thank you for your comment.
1.955.	United Utilities Group	Q48	Q48: Are there any other issues in relation to stochastic models, which you believe should be covered?	
1.956.	ZVK-Bau	Q48	No. Stochastic models should not be part of the regulatory framework at all.	Thank you for your comment.

1.957.	OPSG	Q49	<p>This approach (QIS1) is a suitable method for determining sponsor support in a simplified manner. As with any simplified approach there will be issues with interpreting the output in some cases but overall the approach will produce results that are useful in many cases. This approach will be most suitable for those IORPs who do not have the resources to adopt a stochastic approach but who have the necessary inputs for this simplification readily available. It may not be appropriate to use this approach where negative contributions are possible.</p> <p>It is worth noting that simplified methods generally seem to produce lower estimates of sponsor support than full stochastic models (and within the set of simplified methods the simpler the method the lower the estimate of sponsor support seems to be). While this might be considered to be an incentive to invest in risk management tools it might also be considered an undue burden on smaller IORPs.</p> <p>It is not clear whether EIOPA intends to take a number of alternative options forward to a further QIS and ask IORPs to calculate results on each basis or whether it is intended that a full menu of options be available for IORPs to pick and choose from.</p>	Noted.
1.958.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q49	<p>Generally, we do not consider further QIS work necessary (see General Comments). However, given the announced QIS in 2015, the considered simplifications should be kept (in particular Simplification 2). It is crucial that any simplification is viable for IORPs and that there are escape clauses so that special schemes do not have to apply the simplification at all cost.</p> <p>Simplification 1 is less important to German IORPs as it is still too complex to be broadly acceptable. The required input data (see 4.173) cannot realistically be raised for many sponsors (i.e. default probabilities, some of the correlations or the maximum sponsor</p>	<p>Agreed.</p> <p>Noted.</p>

			<p>support if not a model which is similarly simple as the PwC model ("M" approach), but which would not require calculating the HBS (for the "M" approach this is needed), but rather rely on a simpler measure (e.g. using technical provisions, market capitalization, total wages, etc.) is used). This approach is in particular not adequate for multi employer schemes (MES) / industry wide IORPs where the problems of input data are even greater (see also Q51).</p> <p>The answer to Q51 was:</p> <p>Generally, we do not consider further QIS work necessary (see General Comments). However, given the announced QIS in 2015, the considered simplifications should be kept—in particular Simplification 2 (Simplification 1 is less important to German IORPs).</p> <p>It is crucial that any simplification is viable for IORPs and that there are escape clauses so that special schemes do not have to follow the simplification. Regarding Simplification 1 and 2, for example MES / industry-wide IORPs are often not able to assess the sponsor support data in an appropriate way. They need more simplifications like macro-economic data and / or pars-pro-toto calculations or sampling. Further simplifications should therefore be developed in order to reflect the heterogeneous nature of IORPs regarding available resources and know-how. However, "over engineering" of the simplification should be avoided. The applied assumptions must be stated more clearly. The simplifications according to HBS 6.36 of the technical specifications for the QIS should remain applicable. We therefore suggest keeping the simplifications of the last QIS.</p>	Noted.
1.959.	Actuarial Association of	Q49	Yes, this form of simplified stochastic model can be a useful first-order	

	Europe		<p>measure of value of sponsor support. It should be noted that several of the simplifications may tend to have an effect of over-stating the sponsor support value, in particular:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The assumption that sponsor default rate is uncorrelated with the size of pension fund assets may also tend to systematically over-state the value of sponsor support. <input type="checkbox"/> The assumption of a constant default rate will tend to under-state long-term default probabilities and hence over-state sponsor support values. <p>Finally, it is unclear from the description in the Consultation Paper if the sponsor support is discounted at a risk-free interest rate. If so, this would also tend to over-state the market-consistent value of sponsor support (assuming the default probabilities being used in the calculation are 'real-world' rather than 'risk-neutral').</p>	Noted.
1.960.	AEIP	Q49	<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 as a general comment.

			AEIP proposes to retain all the simplifications used in the first QIS. AEIP reminds that sponsor support valuation should be principles-based and be further detailed at national level (see Q36 and Q46).	Agreed. Noted.
1.961.	Aon Hewitt	Q49	No. We think QIS Simplification 1 was not useful and not widely used. It was also not clear where the inputs came from. If inputs are inappropriate then results will be unreliable, ie “rubbish in equals rubbish out”. We think that the Alternative Simplified Approach should be developed further.	Noted.
1.962.	Association of Pension Lawyers	Q49	<p>1. As to the first question, this approach is not suitable. See answer to Q46:</p> <p>[1. If it became a legal requirement for a Member State to adopt some type of methodology in respect of funding of IORPs over and beyond that required by the IORP Directive, then the least worst approach would be to adopt a principles based approach.</p> <p>2. The reason for this is that a principles based approach provides for a more proportionate approach to the way in which guaranteed benefits in IORPs are to be funded and reflects the differing legal and social context within which retirement provision is made within different Member States in the European Union.</p> <p>3. In this context, it may be noted that the fact that:</p> <p>(a) a particular EU Member State (e.g. the UK) has a large funded IORP degree of pension provision, while</p> <p>(b) other EU Member States (e.g. France and Germany) have a different approach to retirement provision, which means that the IORP Directive is largely irrelevant to such a Member State,</p> <p>further indicates the lack of proportionality of the regulatory approach.</p>	Noted.

			<p>4. To illustrate the point, it would be perfectly feasible for the UK to enact legislation to allow employers to restructure their funded occupational pension schemes so that they became book reserve schemes (thereby falling within Article 2(2)(e) of the IORP Directive (which would then render this particular consultation irrelevant)), supported by security over charged assets corresponding to the existing assets of the UK IORP.]</p> <p>2. As to the second question, see the answer to 1. above.</p> <p>3. As to the third question:</p> <p>a) the use of a modelling approach will lead to distortions in behaviour relating to attempts to come up with a result that maximises the financial strength of the sponsoring employer and the measured funding, on this basis, of the IORP.</p> <p>b) this, in turn, is likely to affect, among other things, the way in which the assets of the IORP are invested, potentially in a pro-cyclical fashion and, potentially, in the unproductive purchase of Member State government bonds in a rigged market (for Member States where the relevant central bank has engaged in substantial quantitative easing measures).</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
1.963.	BAPI	Q49	<p>Q49: Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</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</p>	

			<p>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>This simplification is still seen as rather complex. The complexity comes from the input data.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
1.964.	Barnett Waddingham LLP	Q49	We would prefer an approach where the value of sponsor support is simply taken as the balancing item.	Noted.
1.965.	Better Finance	Q49	Better Finance thinks, that also simplified deterministic model ("QIS1") might be suitable for small and medium size IORPs, the principle mentioned in Q40 should be applied when recommending (allowing) the use of simplified models for sponsor support valuation. When the IORP uses sponsor support as a balancing item and the promise made by IORP toward its member is higher, the size of an IORP should not play a role and stochastic models should be used (and vice versa). Such an approach however might lead to the divergence among sponsor support valuation methods used by IORPs.	Noted.
1.966.	Compass Group PLC	Q49	Q49: Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?	
1.967.	D & L Scott	Q49	No.	

			Few. Most.	Noted.
1.968.	EAPSPI	Q49	<p>EAPSPI's answer relates to Q49 – Q56: The HBS and the increasing number of suggested valuation approaches are not appropriate to reach the intended goal of the European Commission namely to precisely assess and quantify the "true risk position" of IORPs (CfA 4.1 from March 2011), because of the design and the valuation of the HBS. The valuation methods specified for the QIS and since then involve a high degree of arbitrariness and lead to pseudo-certainty which contradicts the notion of a neutral, objective and informative balance sheet. The newly introduced valuation approaches aggravate the problem of comparability of the HBS and SCR values determined by different valuation approaches (see 4.145 and EIOPA's own analysis in section 4.5.6. stating huge differences between resulting values of the sponsor support given the modelling approach). This problem arises in case of the various suggested ways of quantification: Stochastic modelling essentially depends on the (often arbitrary) choice of parameters and models which make results hard to compare (also stated by EIOPA). With respect to the (simplified) deterministic valuation approaches it is not clear if the suggested simplifications are appropriate or if there are systematic biases in the valuation. Therefore, the results of stochastic modelling and the simplified deterministic approaches are not comparable and we simply do not believe that EIOPA will be successful in delivering models with comparable outcomes (see 4.145): "When developing simplified methods or methods using deterministic approaches, EIOPA will consider carefully how to ensure that these methods and stochastic models produce comparable outcomes."</p>	Noted.
1.969.	Eversheds LLP	Q49		

1.970.	FSUG	Q49	FSUG thinks, that also simplified deterministic model ("QIS1") might be suitable for small and medium size IORPs, the principle mentioned in Q40 should be applied when recommending (allowing) the use of simplified models for sponsor support valuation. When the IORP uses sponsor support as a balancing item and the promise made by IORP toward its member is higher, the size of an IORP should not play a role and stochastic models should be used (and vice versa). Such an approach however might lead to the divergence among sponsor support valuation methods used by IORPs.	Noted.
1.971.	GDV	Q49	<p>Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</p> <p>This approach seems to be a suitable simplified method for determining sponsor support, provided that the necessary input data are available and the underlying assumptions are adequate.</p>	Noted.
1.973.	Heathrow Airport Limited	Q49	Q49: Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?	
1.974.	Hoechst-Gruppe VVaG	Q49	Generally, we do not consider further QIS work necessary (see General Comments). However, given the announced QIS in 2015, the considered simplifications should be kept (in particular Simplification 2). It is crucial that any simplification is viable for IORPs and that there are escape clauses so that special schemes do not have to apply the simplification at all cost.	<p>Agreed.</p> <p>Noted.</p>

			<p>Simplification 1 is less important to German IORPs as it is still too complex to be broadly acceptable. The required input data (see 4.173) cannot realistically be raised for many sponsors (i.e. default probabilities, some of the correlations or the maximum sponsor support if not a model which is similarly simple as the PwC model ("M" approach), but which would not require calculating the HBS (for the "M" approach this is needed), but rather rely on a simpler measure (e.g. using technical provisions, market capitalization, total wages, etc.) is used). This approach is in particular not adequate for multi employer schemes (MES) / industry wide IORPs where the problems of input data are even greater (see also Q51).</p> <p>The answer to Q51 was:</p> <p>Generally, we do not consider further QIS work necessary (see General Comments). However, given the announced QIS in 2015, the considered simplifications should be kept-in particular Simplification 2 (Simplification 1 is less important to German IORPs).</p> <p>It is crucial that any simplification is viable for IORPs and that there are escape clauses so that special schemes do not have to follow the simplification. Regarding Simplification 1 and 2, for example MES / industry-wide IORPs are often not able to assess the sponsor support data in an appropriate way. They need more simplifications like macro-economic data and / or pars-pro-toto calculations or sampling. Further simplifications should therefore be developed in order to reflect the heterogeneous nature of IORPs regarding available resources and know-how. However, "over engineering" of the simplification should be avoided. The applied assumptions must be</p>	Noted.
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			stated more clearly. The simplifications according to HBS 6.36 of the technical specifications for the QIS should remain applicable. We therefore suggest keeping the simplifications of the last QIS.	
1.975.	IFoA	Q49	Yes this may be appropriate, but the IFoA considers that national supervisors should give guidance on when this approach may be used.	Noted.
1.976.	IVS	Q49	Possibly. However, we would share the sentiments expressed in the stakeholder feedback.	Noted.
1.977.	Jane Marshall Consulting	Q49	These questions illustrate the problems with valuing sponsor support for the holistic balance sheet. The national authorities and trustee boards are better placed to assess and monitor sponsor support and to take appropriate action. The holistic balance sheet may be academically satisfying but is both unnecessary and unsatisfactory for practical risk based regulation.	Noted.
1.978.	NAPF	Q49	<p>Q49: Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</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 proposes that trustees should be allowed to choose between the IORP-specific approach and the off-the-shelf approach.</p>	Noted as a general comment.

			The NAPF does not have a view on which of the deterministic approaches is preferable.	Noted.
1.982.	Pensioenfederatie	Q49	<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. 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 method is based on the assumption that the distributions of assets and liabilities are symmetrically spread , while in practise they are not. This is especially the case for IORPs using benefit reductions as a steering mechanism.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
1.983.	PensionsEurope	Q49	<p>Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project:</p>	

			<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>Generally, we do not consider further QIS work necessary (see General Comments). However, given the announced QIS in 2015, the considered simplifications should be kept. It is crucial that any simplification is viable for IORPs and that there are escape clauses so that special schemes do not have to apply the simplification at all cost.</p> <p>Simplification 1 is based on the assumption that the distributions of assets and liabilities are symmetrically spread, while in practice these are not. This is especially the case for IORPs that use benefit reductions as a security mechanism.</p> <p>We note that the required input data (see 4.173) cannot realistically be raised for many sponsors (i.e. default probabilities, some of the correlations or the maximum sponsor support if not PwC's "M" approach is used). This approach is especially not adequate for multi employer schemes (MES) / industry wide IORPs where the problems of input data are even greater (see also Q51).</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
1.986.	RPTCL	Q49	It seems that EIOPA has already had stakeholder feedback on this – but is asking again.	

			<p>("In light of these difficulties, most stakeholders felt it was more important for EIOPA to develop more principles-based approaches rather than conduct further work on simplifications.")</p> <p>The premise to this approach seems to be that if one inputs some seemingly arbitrary variables – such as annual probability of sponsor default – then somehow "an answer" is generated. This simply does not reflect commercial reality where sponsors' businesses are reflective of major contract wins and losses ; technological and market changes ; industry consolidation and shifts ; changes in market value conditions for assets etc.</p> <p>We do not believe that a meaningful calculation of an "annual probability" of sponsor default would be calculated for an unquoted or unrated sponsor. Furthermore, the "probability of the default of the sponsor" will typically not be constant over time.</p> <p>In our view, any approach needs to move away from suggesting the use of arbitrary formulae and encourage IORPs and their sponsors to use measured judgement to consider sponsor support – and other aspects of IORP funding – "in the round".</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
1.987.	Society of Pension Professionals	Q49	<p>Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</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>	

			<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>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
1.988.	Towers Watson	Q49	<p>Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</p> <p>We believe this method may give a broad indication of the value of sponsor support in some situations. However, this method results in an HBS which does not balance, which we do not believe would be acceptable in the scenario where the HBS is being used to set recovery contributions.</p>	Noted.
1.989.	United Utilities Group	Q49	<p>Q49: Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</p>	

			We are a regulated utility with a rolling 25 years licence and do not believe that it is possible to correctly value this within a stochastic model.	Noted.
1.990.	ZVK-Bau	Q49	Apart from the overall unfitting concept of the HBS for our scheme we welcome all kinds of simplifications. Unfortunately for our scheme with 55,000 sponsors and the overwhelming problem of data the simplification is useless.	Noted.
1.991.	OPSG	Q50	It is more important for there to be sufficient suitable approaches for IORPs to be able to adopt one that does not impose an unreasonable burden rather than for EIOPA to encourage the use of a specific approach.	Noted.

1.992.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q50	<p>No. In addition to simplification 1 also other approaches should be equivalently allowed (see Q36 and Q46).</p> <p>The answers to Q36 and Q46 were:</p> <p>The aba is still of the opinion that the concept of the HBS should not be applied to IORPs. The reason is that the HBS and the calculation of the SCR fully rest on the Solvency II structure regarding the market consistent valuation of assets and liabilities and the assessment and quantification of risks which the aba regards as unsuitable for IORPs.</p> <p>But given the HBS would be applied to IORPs we support at the most a principle based approach to valuing sponsor support that leaves the</p>	Noted.

		<p>specifics to be set by Member States and national competent authorities. This approach would enable the national legislator to find suitable solutions for valuation of this mechanism under consideration of the different types of sponsors and how sponsor support is organized and legally regulated (in SLL) within each Member State. A „one-size-fits-all“-approach that doesn’t fit accurately for none of the existing variants should not be applied.</p> <p>The aba in general wants to underline that sponsor support should be considered in a regulatory framework. Thus – assuming that the HBS would be introduced - the proportionality principle including the balancing item approach for the use of sponsor support in combination with a model which is similarly simple as the PwC model (“M” approach) could potentially be part of this principle based approach. However, this alternative approach should not require calculating the HBS (for the “M” approach this is needed), but rather rely on a simpler measure (e.g. technical provisions).</p> <p>In this context we welcome that EIOPA recommends using the principle of proportionality and the introduction of the balancing item approach: IORPs with certain characteristics would not have to do detailed calculations to determine whether the HBS balances (p. 43). But we think that in these cases the strong sponsor should make up for explicit exemptions that should release from explicitly setting up a holistic balance sheet or Solvency II-like risk based solvency capital requirements.</p> <p>The aba is still of the opinion that the concept of the HBS should not be applied to IORPs as the HBS and the calculation of the SCR fully rest on the Solvency II structure regarding the market consistent</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
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			<p>valuation of assets and liabilities and the assessment and quantification of risks. We regard this approach as unsuitable for IORPs and the long term nature of pensions because it delivers inadequate management incentives.</p> <p>But assuming the HBS would be applied to IORPs we agree to a principles-based and IORP specific approach to valuing sponsor support instead of an inadequate „one-size-fits-all“-approach for all types of IORPs. This enables to cover a broad range of different types of IORPs and sponsors as well as country specific differences and to find suitable solutions. Thus the regulatory specifics should be set by Member States (see Q36) including a variety of equivalent approaches and leaving it up to the IORP to decide which approach to choose (including particularly the balancing item approach). In addition further deterministic simplifications by Member States to consider national circumstances should be allowed. A stochastic modeling or explicit cash-flow-modeling should not be compulsory.</p> <p>The aba in general wants to underline that sponsor support should be considered in a regulatory framework. Thus – assuming that the HBS should be introduced - within the HBS the balancing item approach for the valuation of sponsor support in combination with a model which is similarly simple as the PwC model (“M” approach), but which would not require calculating the HBS (for the “M” approach this is needed), but rather rely on a simpler measure (e.g. using technical provisions, market capitalization, total wages, etc.) should be part of the suggested approaches.</p>	
1.993.	Actuarial Association of Europe	Q50	Perhaps standard assumptions for volatilities and correlations for different classes of pension fund assets and liabilities could be	

			provided. Methods to estimate default probabilities such as those discussed later in the CP.	Noted.
1.994.	AEIP	Q50	<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>AEIP proposes to retain all the simplifications used in the first QIS. AEIP reminds that sponsor support valuation should be principles-based and be further detailed at national level (see Q36 and Q46).</p> <p>The QIS simplification 1 might be used by IORPs that do not use other steering mechanisms than additional sponsor support in case of underfunding. EIOPA might make this method more accessible by providing more guidance on how to derive the probability of default and maximum sponsor support, as some stakeholders provided EIOPA with the feedback that they were not able to derive these assumptions that are input for this simplification.</p>	<p>Noted as a general comment.</p> <p>Agree.</p> <p>Noted.</p>
1.995.	Aon Hewitt	Q50	We do not think EIOPA should encourage use of this approach. We think that the Alternative Simplified Approach should be encouraged.	Noted.

1.996.	Association of Pension Lawyers	Q50	<p>EIOPA should not be encouraging the use of this approach. This is for the reasons stated in the answer to Question 3 in Q49 above:</p> <p>[3. As to the third question:</p> <p>(a) the use of a modelling approach will lead to distortions in behaviour relating to attempts to come up with a result that maximises the financial strength of the sponsoring employer and the measured funding, on this basis, of the IORP.</p> <p>(b) this, in turn, is likely to affect, among other things, the way in which the assets of the IORP are invested, potentially in a pro-cyclical fashion and, potentially, in the unproductive purchase of Member State government bonds in a rigged market (for Member States where the relevant central bank has engaged in substantial quantitative easing measures).]</p>	Noted.
1.997.	BAPI	Q50	<p>Q50: As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what more should EIOPA do to encourage use of this approach where appropriate?</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>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>An approach to capture probabilities of default and maximum sponsor support for more complex IORPs is missing.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
1.998.	British Telecommunications plc	Q50	<p>Q50: As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what more should EIOPA do to encourage use of this approach where appropriate?</p> <p>Nothing. These are matters that should be determined in each Member State against the backdrop of its own supervisory regime.</p>	Noted.
1.999.	Compass Group PLC	Q50	<p>Q50: As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what more should EIOPA do to encourage use of this approach where appropriate?</p>	
2.000.	D & L Scott	Q50	<p>As it is generally inappropriate, I suggest that EIOPA do nothing further with this.</p>	Noted.
2.001.	Eversheds LLP	Q50		
2.002.	GDV	Q50	<p>As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what more should EIOPA do to encourage use of this approach where appropriate?</p>	

2.004.	Heathrow Airport Limited	Q50	Q50: As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what more should EIOPA do to encourage use of this approach where appropriate?	
2.005.	Hoechst-Gruppe VVaG	Q50	<p>No. In addition to simplification 1 also other approaches should be equivalently allowed (see Q36 and Q46).</p> <p>The answers to Q36 and Q46 were:</p> <p>The concept of the HBS should not be applied to IORPs. The reason is that the HBS and the calculation of the SCR fully rest on the Solvency II structure regarding the market consistent valuation of assets and liabilities and the assessment and quantification of risks unsuitable for IORPs.</p> <p>But given the HBS would be applied to IORPs we support at the most a principle based approach to valuing sponsor support that leaves the specifics to be set by Member States and national competent authorities. This approach would enable the national legislator to find suitable solutions for valuation of this mechanism under consideration of the different types of sponsors and how sponsor support is organized and legally regulated (in SLL) within each Member State. A „one-size-fits-all“-approach that doesn’t fit accurately for none of the existing variants should not be applied.</p> <p>In particular, we want to underline that sponsor support should be</p>	<p>Noted.</p> <p>Noted as a general comment.</p>

			<p>considered in a regulatory framework. Thus – assuming that the HBS would be introduced - the proportionality principle including the balancing item approach for the use of sponsor support in combination with a model which is similarly simple as the PwC model (“M” approach) could potentially be part of this principle based approach. However, this alternative approach should not require calculating the HBS (for the “M” approach this is needed), but rather rely on a simpler measure (e.g. technical provisions).</p> <p>In this context we welcome that EIOPA recommends using the principle of proportionality and the introduction of the balancing item approach: IORPs with certain characteristics would not have to do detailed calculations to determine whether the HBS balances (p. 43). But we think that in these cases the strong sponsor should make up for explicit exemptions that should release from explicitly setting up a holistic balance sheet or Solvency II-like risk based solvency capital requirements.</p> <p>We are still of the opinion that the concept of the HBS should not be applied to IORPs as the HBS and the calculation of the SCR fully rest on the Solvency II structure regarding the market consistent valuation of assets and liabilities and the assessment and quantification of risks. We regard this approach as unsuitable for IORPs and the long term nature of pensions because it delivers inadequate management incentives.</p> <p>But assuming the HBS would be applied to IORPs we agree to a principles-based and IORP specific approach to valuing sponsor support instead of an inadequate „one-size-fits-all“-approach for all types of IORPs. This enables to cover a broad range of different types</p>	
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			<p>of IORPs and sponsors as well as country specific differences and to find suitable solutions. Thus the regulatory specifics should be set by Member States (see Q36) including a variety of equivalent approaches and leaving it up to the IORP to decide which approach to choose (including particularly the balancing item approach). In addition further deterministic simplifications by Member States to consider national circumstances should be allowed. A stochastic modeling or explicit cash-flow-modeling should not be compulsory.</p> <p>Sponsor support should be considered in a regulatory framework. Thus – assuming that the HBS should be introduced - within the HBS the balancing item approach for the valuation of sponsor support in combination with a model which is similarly simple as the PwC model (“M” approach), but which would not require calculating the HBS (for the “M” approach this is needed), but rather rely on a simpler measure (e.g. using technical provisions, market capitalization, total wages, etc.) should be part of the suggested approaches.</p>	Noted.
2.006.	IFoA	Q50	The IFoA considers that national supervisors should have this responsibility.	Noted.
2.007.	IVS	Q50	n.a.	
2.008.	NAPF	Q50	<p>Q50: As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what more should EIOPA do to encourage use of this approach where appropriate?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is</p>	

			<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>No answer</p>	Noted as a general comment.
2.012.	Pensioenfederatie	Q50	<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>The QIS simplification 1 can be used by IORPs that do not use other steering mechanisms than additional sponsor support in case of underfunding. EIOPA can encourage this method by providing more guidance on how to derive the probability of default and maximum sponsor support. Particularly as some shareholders provided EIOPA with the feedback that they were not able to derive the assumptions that constitute input for this simplification.</p>	Noted.
2.013.	PensionsEurope	Q50	<p>As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what more should EIOPA do to encourage use of this approach where appropriate?</p>	Noted.

			<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 QIS simplification 1 can be used by IORPs that do not use other security mechanisms than additional sponsor support in case of underfunding. EIOPA can encourage this method by providing more guidance on how to derive the probability of default and maximum sponsor support, as some shareholders provided EIOPA with the feedback that they were not able to derive these assumptions that are input for this simplification.</p> <p>Also an approach to capture probabilities of default and maximum sponsor support for more complex IORPs' structures is missing.</p>	
2.016.	RPTCL	Q50	In our view, any approach needs to move away from suggesting the use of arbitrary formulae and encourage IORPs and their sponsors to use measured judgement to consider sponsor support – and other aspects of IORP funding – “in the round”.	
2.017.	Society of Pension Professionals	Q50	As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what more should EIOPA do to encourage use of this approach where	

			<p>appropriate?</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>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	
2.018.	Towers Watson	Q50	<p>As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what more should EIOPA do to encourage use of this approach where appropriate?</p> <p>We do not believe EIOPA should do anything further to encourage the use of this method. This is a matter for individual Member States and national competent authorities.</p>	Noted.

2.019.	United Utilities Group	Q50	Q50: As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what more should EIOPA do to encourage use of this approach where appropriate?	<p>Noted as a general comment.</p> <p>Noted.</p>
2.020.	ZVK-Bau	Q50	Due to the repeatedly described problem of providing the data we regard further EIOPA efforts as futile.	

				Noted.
2.021.	OPSG	Q51	As with QIS1, this approach (QIS2) is a suitable method for determining sponsor support in a simplified manner. As many IORPs participating in the QIS used this method, it was clearly felt to be an appropriate and simple/applicable approach in many cases. As with QIS1 it is likely to be appropriate for IORPs which do not overly rely on sponsor support, or do not have the resources to adopt a stochastic approach but which would have the necessary inputs for this simplification readily available.	Noted.
2.022.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q51	<p>Generally, we do not consider further QIS work necessary (see General Comments). However, given the announced QIS in 2015, the considered simplifications should be kept – in particular Simplification 2 (Simplification 1 is less important to German IORPs).</p> <p>It is crucial that any simplification is viable for IORPs and that there are escape clauses so that special schemes do not have to follow the simplification. Regarding Simplification 1 and 2, for example MES / industry-wide IORPs are often not able to assess the sponsor support data in an appropriate way. They need more simplifications like macro-economic data and / or pars-pro-toto calculations or sampling. Further simplifications should therefore be developed in order to reflect the heterogeneous nature of IORPs regarding available resources and know-how. However, “over engineering” of the simplification should be avoided. The applied assumptions must be stated more clearly. The simplifications according to HBS 6.36 of the technical specifications for the QIS should remain applicable. We therefore suggest keeping the simplifications of the last QIS.</p>	<p>Agreed.</p> <p>Noted.</p>

2.023.	Actuarial Association of Europe	Q51	<p>Yes, this is another reasonable simplification approach. It also has the over-statement biases that arise from ignoring effects such as tendency for defaults to increase over time, but this technique also has a simplification that will tend to have an opposite effect: the assumption of zero volatility for pension fund assets and liabilities may under-state the value of the sponsor support (by ignoring the scenarios where sponsors would make larger contributions in the future due to increased deficits).</p>	Noted.
2.024.	AEIP	Q51	<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>AEIP proposes to retain all the simplifications used in the first QIS. AEIP reminds that sponsor support valuation should be principles-based and be further detailed at national level (see Q36 and Q46).</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
2.025.	Aon Hewitt	Q51	<p>No. We think QIS Simplification 2 was overly simplistic and it was not clear where the inputs came from. If inputs are inappropriate then results will be unreliable, ie "rubbish in equals rubbish out". We think</p>	

			that the Alternative Simplified Approach should be developed further.	Noted.
2.026.	Association of Pension Lawyers	Q51	<p>The answers to Q49 apply equally here:</p> <p>[1. As to the first question, this approach is not suitable. See answer to Q46:</p> <p>[1. If it became a legal requirement for a Member State to adopt some type of methodology in respect of funding of IORPs over and beyond that required by the IORP Directive, then the least worst approach would be to adopt a principles based approach.</p> <p>2. The reason for this is that a principles based approach provides for a more proportionate approach to the way in which guaranteed benefits in IORPs are to be funded and reflects the differing legal and social context within which retirement provision is made within different Member States in the European Union.</p> <p>3. In this context, it may be noted that the fact that:</p> <p>(a) a particular EU Member State (e.g. the UK) has a large funded IORP degree of pension provision, while</p> <p>(b) other EU Member States (e.g. France and Germany) have a different approach to retirement provision, which means that the IORP Directive is largely irrelevant to such a Member State,</p> <p>further indicates the lack of proportionality of the regulatory approach.</p> <p>4. To illustrate the point, it would be perfectly feasible for the UK to enact legislation to allow employers to restructure their funded occupational pension schemes so that they became book reserve schemes (thereby falling within Article 2(2)(e) of the IORP Directive (which would then render this particular consultation irrelevant)), supported by security over charged assets corresponding to the existing assets of the UK IORP.]</p>	

			<p>2. As to the second question, see the answer to 1. above.</p> <p>3. As to the third question:</p> <p>(a) the use of a modelling approach will lead to distortions in behaviour relating to attempts to come up with a result that maximises the financial strength of the sponsoring employer and the measured funding, on this basis, of the IORP.</p> <p>(b) this, in turn, is likely to affect, among other things, the way in which the assets of the IORP are invested, potentially in a pro-cyclical fashion and, potentially, in the unproductive purchase of Member State government bonds in a rigged market (for Member States where the relevant central bank has engaged in substantial quantitative easing measures).]</p>	Noted.
2.027.	BAPI	Q51	<p>Q51: Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</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>	

			<p>answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>This QIS2 approach is more doable than the QIS1. The out coming result should be seen as an estimate for the value of the sponsor support only and not as a hard core value.</p> <p>As this method uses data which is assumed as rather static, we feel this valuation method is only valuable for stable and mature companies.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
2.028.	Barnett Waddingham LLP	Q51	We would prefer an approach where the value of sponsor support is simply taken as the balancing item.	Noted.
2.029.	Better Finance	Q51	As this method seeks to be easy-to-use for many IORPs, it clearly has some limitations. Using this simplified method might lead to inconsistent (or even misleading) results especially due to the disadvantage mentioned under the "size effect". Members of an IORP might thus be presented with better than reality figures.	Noted.
2.030.	Compass Group PLC	Q51	Q51: Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?	
2.031.	D & L Scott	Q51	No. It would not be a helpful addition to the «complete financial management plan » referred to earlier above at Q29.	Noted.
2.032.	Eversheds LLP	Q51		
2.033.	FSUG	Q51	As this method seeks to be easy-to-use for many IORPs, it clearly has	

			some limitations. Using this simplified method might lead to inconsistent (or even misleading) results especially due to the disadvantage mentioned under the "size effect". Members of an IORP might thus be presented with better than reality figures.	Noted.
2.034.	GDV	Q51	<p>Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</p> <p>This approach seems to be a suitable simplified method for determining sponsor support, provided that the necessary input data are available and the underlying assumptions are adequate.</p>	Noted.
2.036.	Heathrow Airport Limited	Q51	Q51: Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?	
2.037.	Hoechst-Gruppe VVaG	Q51	<p>Generally, we do not consider further QIS work necessary (see General Comments). However, given the announced QIS in 2015, the considered simplifications should be kept – in particular Simplification 2 (Simplification 1 is less important to German IORPs).</p> <p>It is crucial that any simplification is viable for IORPs and that there are escape clauses so that special schemes do not have to follow the simplification. Regarding Simplification 1 and 2, for example MES / industry-wide IORPs are often not able to assess the sponsor support data in an appropriate way. They need more simplifications like macro-economic data and / or pars-pro-toto calculations or sampling. Further simplifications should therefore be developed in order to reflect the heterogeneous nature of IORPs regarding available</p>	

			resources and know-how. However, “over engineering” of the simplification should be avoided. The applied assumptions must be stated more clearly. The simplifications according to HBS 6.36 of the technical specifications for the QIS should remain applicable. We therefore suggest keeping the simplifications of the last QIS.	Noted.
2.038.	IFoA	Q51	The IFoA has reservations about this approach in that it reflects only planned sponsor support, treating it identically to expected payments from a bond issued by a third party bond – rather than the support potentially available from the sponsor.	Noted.
2.039.	IVS	Q51	Possibly. However, we would share the sentiments expressed in the stakeholder feedback.	Noted.
2.040.	Jane Marshall Consulting	Q51	These questions illustrate the problems with valuing sponsor support for the holistic balance sheet. The national authorities and accountable managing bodies of the IORP (the trustee board in the UK) are better placed to assess and monitor sponsor support and to take appropriate action. The holistic balance sheet may be academically satisfying but is both unnecessary and unsatisfactory for practical risk based regulation.	Noted.
2.041.	NAPF	Q51	<p>Q51: Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</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 as a general comment.

			The NAPF does not have a view on which of the deterministic approaches is preferable.	Noted.
2.045.	Pensioenfederatie	Q51	<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>The QIS simplification 2 is not in line with the overarching principle that market consistent valuation methods should be used. As only the current underfunding situation is considered in the valuation, possible future underfunding situations are not taken into account.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
2.046.	PensionsEurope	Q51	<p>Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project:</p>	

			<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>Generally, we do not consider further QIS work necessary (see General Comments). However, given the announced QIS in 2015, the considered simplifications should be kept.</p> <p>We note that the QIS simplification 2 is only considering the current situation of underfunding in the valuation; the possible future situations of underfunding are not taken into account. Therefore the market consistency of this valuation might be questionable.</p> <p>It is crucial that any simplification is viable for IORPs and that there are escape clauses so that special schemes do not have to follow the simplification. Regarding Simplification 1 and 2, for example MES / industry-wide IORPs are often not able to assess the sponsor support data in an appropriate way. They need more simplifications like macro-economic data and / or pars-pro-toto calculations or sampling. Further simplifications should therefore be developed in order to reflect the heterogeneous nature of IORPs regarding available resources and know-how. However, “over engineering” of the simplification should be avoided. The applied assumptions must be stated more clearly. The simplifications according to HBS 6.36 of the technical specifications for the QIS should remain applicable. We therefore suggest keeping the simplifications of the last QIS.</p>	<p>Noted as a general comment.</p>
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			<p>Finally, we emphasize that an IORP with a funding ratio above 100% should not be forced to use these approaches since they are not suitable for a fully funded situation. Overall, we think that legally binding, unlimited sponsor support should entail a positive value regardless of the current funding situation.</p>	Noted.
2.049.	RPTCL	Q51	<p>The approach put forward is over simplistic and uses such arbitrary variables as to be most likely of no substantive value. It appears that where LGD is zero, there is no risk, but this is not allowed due to the <50% rule. Further, the setting of return on assets at the risk free interest rate ignores a huge source of future cash in reality. Investment returns and realisations represent a very substantial portion of IORP funding.</p>	Noted.
2.050.	Society of Pension Professionals	Q51	<p>Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</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>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>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
2.051.	Towers Watson	Q51	<p>Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</p> <p>We believe this method may give a broad indication of the value of sponsor support in some situations. However, this method results in an HBS which does not balance, which we do not believe would be acceptable in the scenario where the HBS is being used to set recovery contributions.</p>	Noted.
2.052.	United Utilities Group	Q51	<p>Q51: Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</p>	
2.053.	ZVK-Bau	Q51	<p>Apart from the overall unfitting concept of the HBS for our scheme we welcome all kinds of simplifications. Unfortunately for our scheme with 55,000 sponsors and the overwhelming problem of data the simplification is useless.</p>	Noted.
2.054.	OPSG	Q52	<p>As per our response to Q50 above it is more important for there to be sufficient suitable approaches for IORPs to be able to adopt one that does not impose an unreasonable burden rather than for EIOPA to encourage the use of a specific approach.</p>	Noted.

2.055.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q52	EIOPA should work on solutions for cases where data on credit ratings or default probabilities is not easily available.	Noted.
2.056.	Actuarial Association of Europe	Q52	Methods to estimate default probabilities such as those discussed later in the CP.	Noted.
2.057.	AEIP	Q52	<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>AEIP proposes to retain all the simplifications used in the first QIS. AEIP reminds that sponsor support valuation should be principles-based and be further detailed at national level (see Q36 and Q46).</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
2.058.	Aon Hewitt	Q52	We do not think EIOPA should encourage use of this approach. We think that the Alternative Simplified Approach should be encouraged.	See comment 1.994.
2.059.	Association of Pension Lawyers	Q52	<p>The answer to Q50 applies equally here:</p> <p>[EIOPA should not be encouraging the use of this approach. This is for the reasons stated in the answer to Question 3 in Q49 above:</p>	

			<p>[3. As to the third question:</p> <p>(a) the use of a modelling approach will lead to distortions in behaviour relating to attempts to come up with a result that maximises the financial strength of the sponsoring employer and the measured funding, on this basis, of the IORP.</p> <p>(b) this, in turn, is likely to affect, among other things, the way in which the assets of the IORP are invested, potentially in a pro-cyclical fashion and, potentially, in the unproductive purchase of Member State government bonds in a rigged market (for Member States where the relevant central bank has engaged in substantial quantitative easing measures).]]</p>	Noted.
2.060.	BAPI	Q52	<p>Q52: As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what more should EIOPA do to encourage use of this approach, where appropriate?</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 as a general comment.

			We are still missing solutions for situations where credit rating/affordability data is incomplete or totally missing. Also in these situations some options should be available.	Noted.
2.061.	British Telecommunications plc	Q52	<p>Q52: As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what more should EIOPA do to encourage use of this approach, where appropriate?</p> <p>Nothing. These are matters that should be determined in each Member State against the backdrop of its own supervisory regime.</p>	Noted.
2.062.	Compass Group PLC	Q52	Q52: As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what more should EIOPA do to encourage use of this approach, where appropriate?	
2.063.	D & L Scott	Q52	My answer is the same as Q50 above.	Noted.
2.064.	Eversheds LLP	Q52		
2.065.	GDV	Q52	As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what more should EIOPA do to encourage use of this approach, where appropriate?	
2.067.	Heathrow Airport Limited	Q52	Q52: As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what	

			more should EIOPA do to encourage use of this approach, where appropriate?	
2.068.	Hoechst-Gruppe VVaG	Q52	EIOPA should work on solutions for cases where data on credit ratings or default probabilities is not easily available.	Noted.
2.069.	IFoA	Q52	The IFoA considers that national supervisors should have this responsibility.	Noted.
2.070.	IVS	Q52	EIOPA should work on solutions for cases where data on credit ratings or default probabilities is not easily available.	Noted.
2.071.	Jane Marshall Consulting	Q52	These questions illustrate the problems with valuing sponsor support for the holistic balance sheet. The national authorities and trustee board are better placed to assess and monitor sponsor support and to take appropriate action. The holistic balance sheet may be academically satisfying but is both unnecessary and unsatisfactory for practical risk based regulation.	Noted.
2.072.	NAPF	Q52	<p>Q52: As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what more should EIOPA do to encourage use of this approach, where appropriate?</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 as a general comment.

2.076.	Pensioenfederatie	Q52	<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 purpose. 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 method is not appropriate, as it is not in line with the overarching principle of market consistent valuation.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
2.077.	PensionsEurope	Q52	<p>As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what more should EIOPA do to encourage use of this approach, where appropriate?</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 as a general comment.</p>

			EIOPA could work on solutions for cases where data on credit ratings, default probabilities, affordability are not easily available and/or totally missing.	Noted.
2.080.	RPTCL	Q52	In our view, any approach needs to move away from suggesting the use of arbitrary formulae and encourage IORPs and their sponsors to use measured judgement to consider sponsor support – and other aspects of IORP funding – “in the round”.	Noted.
2.081.	Society of Pension Professionals	Q52	<p>As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what more should EIOPA do to encourage use of this approach, where appropriate?</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 as a general comment.

			Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.	Noted.
2.082.	Towers Watson	Q52	<p>As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what more should EIOPA do to encourage use of this approach, where appropriate?</p> <p>We do not believe EIOPA should do anything further to encourage the use of this method. This is a matter for individual Member States and national competent authorities.</p>	See comment 2.018.
2.083.	United Utilities Group	Q52	Q52: As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what more should EIOPA do to encourage use of this approach, where appropriate?	
2.084.	ZVK-Bau	Q52	Due to the repeatedly described problem of providing the data we further EIOPA efforts should concentrate on that issue. Maybe the use of macro-economic data or sampling could help.	Noted.
2.085.	OPSG	Q53	This approach is a suitable simplified method for determining sponsor support. It has a strong theoretical underpinning and captures many features of IORPs and their funding that are important in any use that the HBS might be put to. It would be appropriate to use in circumstances where IORPs felt that it was appropriate to their circumstances and could be applied with relative ease. This method does not include an affordability check which would have to be done separately. It is unlikely to be appropriate for smaller IORPs.	Noted.
2.086.	aba	Q53	We want to stress that no stochastic modeling should be compulsory for IORPs as it is (too) complex and it has not yet been proven that	

	Arbeitsgemeinschaft für betriebliche Altersve		<p>stochastic approaches are better in principle. This also holds for the suggested Barrie & Hibbert variants even if the simplified method is less complex and deterministic aspects are involved.</p> <p>Thus we are of the opinion that the order with respect to valuation approaches needs to be changed: (simplified) deterministic approaches should not be “lower-quality” alternatives, but also first choices in their own right. Each IORP needs to be able to decide whether they use the stochastic or simplified calculations. No IORP should be forced to use the stochastic model. Even if guidance was provided, the costs for IORPs will be high and we do not believe that many IORPs have enough resources to do stochastic valuations. EIOPA therefore should work on developing a deterministic approach which works for IORPs in terms of size, practicability and comprehensibility. Overall, we consider it best to leave it at the IORP’s discretion to decide whether the value added by stochastic or internal models justifies the resources dedicated to the development of such models. We therefore do not need any additional guidance for conducting stochastic valuations, most German IORPs are likely to use the deterministic model.</p>	Noted.
2.087.	Actuarial Association of Europe	Q53	<p>This approach is similar in spirit to QIS simplification 2. It can be considered as a generalisation of QIS2. The significant differences are that this method provides greater flexibility in the specification of the sponsor support cashflow schedule; and the sponsor’s annual default rate is not assumed to be constant (and is assumed to be risk-neutral).</p>	Noted.
2.088.	AEIP	Q53	<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>AEIP proposes to retain all the simplifications used in the first QIS. AEIP reminds that sponsor support valuation should be principles-based and be further detailed at national level (see Q36 and Q46).</p> <p>From the consultation paper we understand that the simplified B&H model does take future shortfalls into account (see 4.245). This model is not line with the overarching principle that market consistent valuation methods.</p>	<p>Noted as a general comment.</p> <p>Agreed.</p> <p>Noted.</p>
2.089.	AGV Chemie	Q53	<p>We want to stress that no stochastic modelling should be compulsory for IORPs as it is (too) complex and it has not yet been proven that stochastic approaches are better in principle.</p>	See comment 2.085.
2.090.	Aon Hewitt	Q53	<p>Partly. However it suffers from a major weakness in that there is no affordability check. In order to determine sponsor support, it is essential that affordability is taken into account. We also think that, with the exception of some of the largest IORPs in EEA, it is too</p>	

			complex for most IORPs in the EEA to understand and implement. This is particularly the case for a QIS exercise – requiring the use of a stochastic model in a QIS is not likely to encourage participation.	Noted.
2.091.	Association of Pension Lawyers	Q53	<p>The answers to Q49 apply equally here:</p> <p>[1. As to the first question, this approach is not suitable. See answer to Q46:</p> <p>[1. If it became a legal requirement for a Member State to adopt some type of methodology in respect of funding of IORPs over and beyond that required by the IORP Directive, then the least worst approach would be to adopt a principles based approach.</p> <p>2. The reason for this is that a principles based approach provides for a more proportionate approach to the way in which guaranteed benefits in IORPs are to be funded and reflects the differing legal and social context within which retirement provision is made within different Member States in the European Union.</p> <p>3. In this context, it may be noted that the fact that:</p> <p>(a) a particular EU Member State (e.g. the UK) has a large funded IORP degree of pension provision, while</p> <p>(b) other EU Member States (e.g. France and Germany) have a different approach to retirement provision, which means that the IORP Directive is largely irrelevant to such a Member State,</p> <p>further indicates the lack of proportionality of the regulatory approach.</p> <p>4. To illustrate the point, it would be perfectly feasible for the UK to enact legislation to allow employers to restructure their funded occupational pension schemes so that they became book reserve schemes (thereby falling within Article 2(2)(e) of the IORP Directive (which would then render this particular consultation irrelevant)), supported by security over charged assets corresponding to the</p>	<p>Noted.</p> <p>Noted as a general</p>

existing assets of the UK IORP.]

2. As to the second question, see the answer to 1. above.
3. As to the third question:
 - (a) the use of a modelling approach will lead to distortions in behaviour relating to attempts to come up with a result that maximises the financial strength of the sponsoring employer and the measured funding, on this basis, of the IORP.
 - (b) this, in turn, is likely to affect, among other things, the way in which the assets of the IORP are invested, potentially in a pro-cyclical fashion and, potentially, in the unproductive purchase of Member State government bonds in a rigged market (for Member States where the relevant central bank has engaged in substantial quantitative easing measures).]

Q53: Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?

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>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>This needs further analysis and testing by some IORPs. For the Belgian IORPs in general it was seen as too complicated.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
2.093.	Barnett Waddingham LLP	Q53	We would prefer an approach where the value of sponsor support is simply taken as the balancing item.	Noted.
2.094.	BASF SE	Q53	We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept any compulsory stochastic modelling should be avoided.	Noted.
2.095.	BDA	Q53	We want to stress that no stochastic modelling should be compulsory for IORPs as it is (too) complex and it has not yet been proven that stochastic approaches are better in principle.	Noted.
2.096.	Better Finance	Q53	This approach might be a suitable simplified method for determining sponsor support for many IORPs if the EIOPA develops the model further with clear guidance.	Noted.
2.097.	Compass Group PLC	Q53	Q53: Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?	
2.098.	D & L Scott	Q53	No. My views on stochastic models are introduced at Q48. Barrie & Hibbert also developed models for the United Kingdom's Pension Protection Fund. I am aware that Barrie & Hibbert have also sold a	

			similar model to private sector clients, including Standard Life. I consider their interests to be conflicted by such commercial actions.	Noted.
2.099.	Eversheds LLP	Q53		
2.100.	Evonik Industries AG	Q53	We want to stress that no stochastic modelling should be compulsory for IORPs as it is (too) complex and it has not yet been proven that stochastic approaches are better in principle.	Noted.
2.101.	FSUG	Q53	This approach might be a suitable simplified method for determining sponsor support for many IORPs if the EIOPA develops the model further with clear guidance.	Noted.
2.102.	GDV	Q53	<p>Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</p> <p>The suggested approach seems to be suitable for determining sponsor support provided that the necessary input data are available and the underlying assumptions are adequate. (for example no cash-flows from IORP to sponsor)</p>	Noted.
2.104.	Heathrow Airport Limited	Q53	Q53: Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?	
2.105.	Hoechst-Gruppe VVaG	Q53	We want to stress that no stochastic modeling should be compulsory for IORPs as it is (too) complex and it has not yet been proven that stochastic approaches are better in principle. This also holds for the	

			<p>suggested Barrie & Hibbert variants even if the simplified method is less complex and deterministic aspects are involved.</p> <p>Thus we are of the opinion that the order with respect to valuation approaches needs to be changed: (simplified) deterministic approaches should not be “lower-quality” alternatives, but also first choices in their own right. Each IORP needs to be able to decide whether they use the stochastic or simplified calculations. No IORP should be forced to use the stochastic model. Even if guidance was provided, the costs for IORPs will be high and we do not believe that many IORPs have enough resources to do stochastic valuations. EIOPA therefore should work on developing a deterministic approach which works for IORPs in terms of size, practicability and comprehensibility. Overall, we consider it best to leave it at the IORP’s discretion to decide whether the value added by stochastic or internal models justifies the resources dedicated to the development of such models. We therefore do not need any additional guidance for conducting stochastic valuations, most German IORPs are likely to use the deterministic model.</p>	Noted.
2.106.	IFoA	Q53	<p>We recognise the value in the stochastic modelling of sponsor support when a large number of sponsors are valued together. As far as we know, these techniques are not used by market practitioners (such as covenant advisers, investment analysts, asset managers, investment bankers). We would recommend EIOPA investigates the extent to which using these methods, and any approximations based on them, will affect decisions made by corporate bodies and investors. In particular, it is not clear that the proposed methods will adequately consider the variations in position that IORPs occupy in corporate hierarchies. This may create opportunity for corporates to restructure in ways that disadvantage their IORPs.</p>	Noted.

2.107.	IVS	Q53	No, because extreme care would need to be taken to ensure that the results are comparable. It appears questionable to us whether the complexity of the approach really provides a result that is so much more useful than an approximation.	Noted.
2.108.	Jane Marshall Consulting	Q53	These questions illustrate the problems with valuing sponsor support for the holistic balance sheet. The national authorities and trustee board are better placed to assess and monitor sponsor support and to take appropriate action. The holistic balance sheet may be academically satisfying but is both unnecessary and unsatisfactory for practical risk based regulation.	Noted.
2.109.	NAPF	Q53	<p>Q53: Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</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>	
2.112.	Otto Group	Q53	We want to stress that no stochastic modelling should be compulsory for IORPs as it is (too) complex and it has not yet been proven that	See comment 2.085.

			stochastic approaches are better in principle.	
2.114.	Pensioenfederatie	Q53	<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>From the consultation paper we understand that the simplified B&H model does not take future shortfalls into account (see 4.245). This model is not in line with the overarching principle that market consistent valuation methods should be used. Therefore it is not appropriate.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
2.115.	PensionsEurope	Q53	<p>Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General</p>	

		<p>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 the consultation paper we understand that the simplified B&H model does take future shortfalls into account (see 4.245). This model is not in line with the overarching principle that market consistent valuation methods should be used. Therefore it is not appropriate.</p> <p>Furthermore, we want to stress that no stochastic modeling should be compulsory for IORPs as it is complex and it has not yet been proven that stochastic approaches are better in principle. This also holds for the suggested Barrie & Hibbert variants even if the simplified method is less complex and deterministic aspects are involved. Deterministic approaches (even simplified) should not be seen as “lower-quality” alternatives, but also first choices in their own right. Each IORP needs to be able to decide whether they use the stochastic or simplified calculations. No IORP should be forced to use the stochastic model. Even if guidance was provided, the costs for IORPs will be high and we do not believe that many IORPs have enough resources to do stochastic valuations. EIOPA therefore should also work on developing a deterministic approach which works for IORPs in terms of size, practicability and comprehensibility.</p> <p>Overall, we consider it best to leave it at the IORP’s discretion to decide whether the value added by stochastic or internal models justifies the resources dedicated to the development of such models.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
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2.118.	RPTCL	Q53	This seems to be a question where stakeholder feedback has already been received. We simply cannot see how this approach would reflect the commercial realities of many IORP sponsors and see it as complex, time-consuming and most likely of no substantive value.	Noted.
2.119.	Siemens Pensionsfonds	Q53	We want to stress that no stochastic modelling should be compulsory for IORPs as it is (too) complex and it has not yet been proven that stochastic approaches are better in principle.	Noted.
2.120.	Society of Pension Professionals	Q53	<p>Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</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 as a general comment.

			Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.	Noted.
2.121.	Towers Watson	Q53	Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate? We believe this method may result in suitable results for some IORPs in some conditions but is unlikely to be able to deal with all potential circumstances. For this reason, we support a more general principles-based approach.	Noted.
2.122.	United Utilities Group	Q53	Q53: Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?	
2.123.	ZVK-Bau	Q53	No. We do not believe that this approach is a suitable simplified method.	Noted.
2.124.	OPSG	Q54	Yes.	Noted.
2.125.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q54	Yes, EIOPA should develop spreadsheets if the B&H approaches should be included. But in general we are of the opinion that within the principles based framework of the valuation EIOPA should transfer the specifications to Member States (see Q36 and Q46). The answers to Q36 and Q46 were:	Noted. Noted as a general comment.

			<p>The aba is still of the opinion that the concept of the HBS should not be applied to IORPs. The reason is that the HBS and the calculation of the SCR fully rest on the Solvency II structure regarding the market consistent valuation of assets and liabilities and the assessment and quantification of risks which the aba regards as unsuitable for IORPs.</p> <p>But given the HBS would be applied to IORPs we support at the most a principle based approach to valuing sponsor support that leaves the specifics to be set by Member States and national competent authorities. This approach would enable the national legislator to find suitable solutions for valuation of this mechanism under consideration of the different types of sponsors and how sponsor support is organized and legally regulated (in SLL) within each Member State. A „one-size-fits-all“-approach that doesn’t fit accurately for none of the existing variants should not be applied.</p> <p>The aba in general wants to underline that sponsor support should be considered in a regulatory framework. Thus – assuming that the HBS would be introduced - the proportionality principle including the balancing item approach for the use of sponsor support in combination with a model which is similarly simple as the PwC model (“M” approach) could potentially be part of this principle based approach. However, this alternative approach should not require calculating the HBS (for the “M” approach this is needed), but rather rely on a simpler measure (e.g. technical provisions).</p> <p>In this context we welcome that EIOPA recommends using the principle of proportionality and the introduction of the balancing item approach: IORPs with certain characteristics would not have to do</p>	
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			<p>detailed calculations to determine whether the HBS balances (p. 43). But we think that in these cases the strong sponsor should make up for explicit exemptions that should release from explicitly setting up a holistic balance sheet or Solvency II-like risk based solvency capital requirements.</p> <p>The aba is still of the opinion that the concept of the HBS should not be applied to IORPs as the HBS and the calculation of the SCR fully rest on the Solvency II structure regarding the market consistent valuation of assets and liabilities and the assessment and quantification of risks. We regard this approach as unsuitable for IORPs and the long term nature of pensions because it delivers inadequate management incentives.</p> <p>But assuming the HBS would be applied to IORPs we agree to a principles-based and IORP specific approach to valuing sponsor support instead of an inadequate „one-size-fits-all“-approach for all types of IORPs. This enables to cover a broad range of different types of IORPs and sponsors as well as country specific differences and to find suitable solutions. Thus the regulatory specifics should be set by Member States (see Q36) including a variety of equivalent approaches and leaving it up to the IORP to decide which approach to choose (including particularly the balancing item approach). In addition further deterministic simplifications by Member States to consider national circumstances should be allowed. A stochastic modeling or explicit cash-flow-modeling should not be compulsory.</p> <p>The aba in general wants to underline that sponsor support should be considered in a regulatory framework. Thus – assuming that the HBS should be introduced - within the HBS the balancing item approach for</p>	
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			the valuation of sponsor support in combination with a model which is similarly simple as the PwC model ("M" approach), but which would not require calculating the HBS (for the "M" approach this is needed), but rather rely on a simpler measure (e.g. using technical provisions, market capitalization, total wages, etc.) should be part of the suggested approaches.	
2.126.	ACA	Q54	No	Noted.
2.127.	Actuarial Association of Europe	Q54	It may be possible to produce a more general version of the QIS2 spreadsheet that can be used for both methods.	Noted.
2.128.	AEIP	Q54	No.	Noted.
2.129.	Aon Hewitt	Q54	No – we think that this method is unlikely to be used except by some of the very largest IORPs. These may potentially come from only a handful of member states. We do not think EIOPA should spend time producing spreadsheets which may only end up being used by a handful of IORPs in a few member states. (We think that the IORPs or competent authorities in these states may be better placed to develop tools for use locally). We think EIOPA's time would be better spent developing guidelines and spreadsheets which are more likely to be used by the mass population of smaller and medium sized IORPs across the EEA.	Noted.
2.130.	Association of Pension Lawyers	Q54	No, see the answer to Q50: [EIOPA should not be encouraging the use of this approach. This is for the reasons stated in the answer to Question 3 in Q49 above: [3. As to the third question: (a) the use of a modelling approach will lead to distortions in behaviour relating to attempts to come up with a result that	

			<p>maximises the financial strength of the sponsoring employer and the measured funding, on this basis, of the IORP.</p> <p>(b) this, in turn, is likely to affect, among other things, the way in which the assets of the IORP are invested, potentially in a pro-cyclical fashion and, potentially, in the unproductive purchase of Member State government bonds in a rigged market (for Member States where the relevant central bank has engaged in substantial quantitative easing measures).]]</p>	Noted.
2.131.	BAPI	Q54	<p>Q54: Should EIOPA produce spreadsheets to enable IORPs to use this simplification?</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 case further analysis and testing generates a positive outcome it would be welcomed EIOPA produces spreadsheets to enable IORPs to use this simplification.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>

2.132.	Barnett Waddingham LLP	Q54	No, EIOPA should not produce spreadsheets.	Noted.
2.133.	BASF SE	Q54	We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept EIOPA should transfer the specifications of determining risk to the member states.	Noted.
2.134.	Better Finance	Q54	Certainly yes.	Noted.
2.135.	British Telecommunications plc	Q54	Q54: Should EIOPA produce spreadsheets to enable IORPs to use this simplification? No. These are matters that should be determined in each Member State against the backdrop of its own supervisory regime.	Noted.
2.136.	Compass Group PLC	Q54	Q54: Should EIOPA produce spreadsheets to enable IORPs to use this simplification?	
2.137.	D & L Scott	Q54	EIOPA may do this, but I would still view these as unhelpful in the context of developing and maintaining a «complete financial management plan» referred to earlier above at Q29.	Noted.
2.138.	EEF	Q54	Any EU-developed principles should be very high-level only and national regulators should be able to determine the most appropriate approach to valuing sponsor support for that particular Member State. EIOPA guidance is not therefore necessary.	Noted
2.139.	Eversheds LLP	Q54		

2.140.	FSUG	Q54	Certainly yes.	Noted.
2.141.	GDV	Q54	Should EIOPA produce spreadsheets to enable IORPs to use this simplification? Yes.	Noted.
2.143.	Heathrow Airport Limited	Q54	Q54: Should EIOPA produce spreadsheets to enable IORPs to use this simplification?	
2.144.	Hoechst-Gruppe VVaG	Q54	<p>Yes, EIOPA should develop spreadsheets if the B&H approaches should be included.</p> <p>But in general we are of the opinion that within the principles based framework of the valuation EIOPA should transfer the specifications to Member States (see Q36 and Q46).</p> <p>The answers to Q36 and Q46 were:</p> <p>We are still of the opinion that the concept of the HBS should not be applied to IORPs. The reason is that the HBS and the calculation of the SCR fully rest on the Solvency II structure regarding the market consistent valuation of assets and liabilities and the assessment and quantification of risks unsuitable for IORPs.</p> <p>But given the HBS would be applied to IORPs we support at the most a principle based approach to valuing sponsor support that leaves the specifics to be set by Member States and national competent authorities. This approach would enable the national legislator to find</p>	Noted.

			<p>suitable solutions for valuation of this mechanism under consideration of the different types of sponsors and how sponsor support is organized and legally regulated (in SLL) within each Member State. A „one-size-fits-all“-approach that doesn’t fit accurately for none of the existing variants should not be applied.</p> <p>In general we want to underline that sponsor support should be considered in a regulatory framework. Thus – assuming that the HBS would be introduced - the proportionality principle including the balancing item approach for the use of sponsor support in combination with a model which is similarly simple as the PwC model (“M” approach) could potentially be part of this principle based approach. However, this alternative approach should not require calculating the HBS (for the “M” approach this is needed), but rather rely on a simpler measure (e.g. technical provisions).</p> <p>In this context we welcome that EIOPA recommends using the principle of proportionality and the introduction of the balancing item approach: IORPs with certain characteristics would not have to do detailed calculations to determine whether the HBS balances (p. 43). But we think that in these cases the strong sponsor should make up for explicit exemptions that should release from explicitly setting up a holistic balance sheet or Solvency II-like risk based solvency capital requirements.</p> <p>We are of the opinion that the concept of the HBS should not be applied to IORPs as the HBS and the calculation of the SCR fully rest on the Solvency II structure regarding the market consistent valuation of assets and liabilities and the assessment and quantification of risks. We regard this approach as unsuitable for IORPs and the long</p>	
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			<p>term nature of pensions because it delivers inadequate management incentives.</p> <p>But assuming the HBS would be applied to IORPs we agree to a principles-based and IORP specific approach to valuing sponsor support instead of an inadequate „one-size-fits-all“-approach for all types of IORPs. This enables to cover a broad range of different types of IORPs and sponsors as well as country specific differences and to find suitable solutions. Thus the regulatory specifics should be set by Member States (see Q36) including a variety of equivalent approaches and leaving it up to the IORP to decide which approach to choose (including particularly the balancing item approach). In addition further deterministic simplifications by Member States to consider national circumstances should be allowed. A stochastic modeling or explicit cash-flow-modeling should not be compulsory.</p> <p>Sponsor support should be considered in a regulatory framework. Thus – assuming that the HBS should be introduced - within the HBS the balancing item approach for the valuation of sponsor support in combination with a model which is similarly simple as the PwC model (“M” approach), but which would not require calculating the HBS (for the “M” approach this is needed), but rather rely on a simpler measure (e.g. using technical provisions, market capitalization, total wages, etc.) should be part of the suggested approaches.</p>	
2.145.	IFoA	Q54	No	Noted.
2.146.	IVS	Q54	Yes.	Noted.
2.147.	NAPF	Q54	Q54: Should EIOPA produce spreadsheets to enable IORPs to use this simplification?	

			<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>	
2.150.	Pensioenfederatie	Q54	<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>No</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
2.151.	PensionsEurope	Q54	<p>Should EIOPA produce spreadsheets to enable IORPs to use this simplification?</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>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 within the principle-based framework of the valuation, EIOPA should transfer the specifications to the Member States.</p> <p>Nonetheless if the B&H approaches would be included, EIOPA could help developing spreadsheets.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
2.154.	RPTCL	Q54	This approach would only be suitable if IORPs explicitly asked for them	Noted.
2.155.	Society of Pension Professionals	Q54	<p>Should EIOPA produce spreadsheets to enable IORPs to use this simplification?</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>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>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
2.156.	Towers Watson	Q54	<p>Should EIOPA produce spreadsheets to enable IORPs to use this simplification?</p> <p>We believe spreadsheets could be useful to ensure the model is interpreted consistently. This is a matter for individual Member States and national competent authorities.</p>	Noted.
2.157.	United Utilities Group	Q54	Q54: Should EIOPA produce spreadsheets to enable IORPs to use this simplification?	
2.158.	ZVK-Bau	Q54	No.	Noted.
2.159.	OPSG	Q55	This approach is a suitable method for determining sponsor support. It will be particularly appropriate for smaller IORPs for whom no credit assessment or insolvency probability would otherwise exist. It may not be appropriate in cases of current full funding. It may not be appropriate for larger IORPs who have the resources to adopt other approaches.	Noted.
2.160.	aba Arbeitsgemeinschaft für	Q55	In general the ASA could be useful for the standard case with a medium sized sponsor with one IORP, in addition, it addresses the problems for unrated IORPs. Generally the credit ratio method seems	

	betriebliche Altersve		<p>less sound compared to standard credit ratings as ratings are based on much more information and thus supposedly provide a more reliable estimate for a sponsor's probability of default.</p> <p>It is still not obvious how to deal with nonstandard scenarios where a sponsor supports more than one IORP; where a single IORP has several sponsors or where sponsors are non-corporate. For these cases the ASA is not yet practical or adequate as EIOPA didn't suggests changes. If the suggested proportionality principle and the use of the balancing item does not apply the ASA still seems to be very complex or inadequate, in particular for small IORPs, MES or IORPs with non-corporate sponsors (see also Q62 to 68). Thus further work in a number of areas needs to be done for the general applicability of the ASA. Our main concerns are (see the General Comments for more detail):</p> <ul style="list-style-type: none"> <input type="checkbox"/> Generalisation: not really simpler and not adequate, particularly for MES. The problem of unrated companies has been addressed, but other central problems have not been solved. <input type="checkbox"/> Where do the parameters for the calculations come from? <input type="checkbox"/> Data requirements: difficult, particularly for MES <input type="checkbox"/> Sponsor support and insolvency protection <p>We oppose the introduction of any new data requirements. However, if any new data requirements were to be introduced at all, this should only be done for the future, because in the past the necessary data was not collected. Some aspects of the method still need further explanation or elaboration or otherwise seem very arbitrary (e.g. Tables 4 and 6 in EIOPA's sponsor support discussion paper 2013). Large IORPs should also be allowed to use the simplified approach.</p>	Noted.
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			<p>As EIOPA indicates the comparability of the ASA with other approaches is questionable (4.244) showing that values for sponsor support deviate systematically).</p> <p>The answers to Q62 to Q68 were:</p> <p>Q62: We are concerned that the approach would not work well for more complex IORP structures, e.g. multi-employer schemes, where one IORP has many sponsors or cases where one sponsor has several IORPs.</p> <p>Q64: Most of the approaches discussed within the consultation are available since the IORP-QIS of 2012. Therefore we had the opportunity to test them already. Especially in cases of industry wide IORPs assessing sponsor strength by using financial reporting proved to be impossible. Sometimes the same held true concerning the simplification of a sample of the five largest sponsors because their officially published financial reporting contained not the necessary data.</p> <p>In case of industry wide schemes that use the wage sum for calculating contributions only the total wage sum of the sponsors seemed to be an appropriate solution for assessing the sponsor support.</p> <p>Therefore we would like to bring forward a model which is similarly simple as the PwC model ("M" approach), but which does not require calculating the HBS, but rather rely on a simpler measure (e.g. using market capitalization, total wages technical provisions, etc.).</p>	Noted.
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			<p>Q 65: We like to discuss a case that is relevant for some German industry wide funds: Legally enforceable sponsor support is available for every employee against his/her own employer. But as a whole there is 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.</p> <p>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. We regard this condition to be met if the sponsors or their representatives corresponded in 3 out of the last 4 times to the pattern. PWC also argues that additional factors should be taken into account when assessing the covenant (See Research Report on Options for assessing employer covenant and the holistic balance sheet commissioned by Institute and Faculty of Actuaries). Concerning the financial data (including wage sum) discussed above this would lead to the possibility to use industry wide indicators collected by national bureaus of statistic research in comparison to the possible amount of sponsor support needed to balance the HBS. Giving Member States the option to define rules for the recognition of different sets of indicators for sponsor strength or other national specificities could help to adjust the regulatory regime to national GAP.</p> <p>In addition with respect to the use of the balancing item approach for valuing sponsor support we suggest that multi employer schemes with a large number (definition to be discussed) of employers, legally enforceable sponsor support and joint financing should automatically</p>	
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			qualify for applying the balancing item approach without recurring to the strength of the individual sponsor (in addition to the listing in no. 4.4 of the consultation document). The rationale for this is that MES with a sufficient number of employers and joint financing could be seen as a means of the collective pooling of default risk of individual sponsors – in analogy to the suggestions of EIOPA regarding pension protection schemes in 4.248 of the consultation paper.	
2.161.	Actuarial Association of Europe	Q55	It is not clear why the assumed timing of the sponsor support cashflows is tied to the assessment of financial strength rather than to the IORPs actual recovery plan. The need for a convenient way of estimating sponsor default probabilities exists for all these methods and such a method should not be considered tied to the other assumptions in the ASA model.	Noted.
2.162.	AEIP	Q55	<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>AEIP proposes to retain all the simplifications used in the first QIS. AEIP reminds that sponsor support valuation should be principles-based and be further detailed at national level (see Q36 and Q46).</p>	Noted as a general comment.

2.163.	Aon Hewitt	Q55	Yes – we believe that it is a suitable method, and could be used by the vast majority of IORPS including for QIS purposes. We note that stakeholders gave positive feedback on this method in response to the 2013 discussion paper, and it was acknowledged that the method is more suitable for small and medium sized IORPs and provides a way to work with non-rated sponsors.	Noted.
2.164.	Association of Pension Lawyers	Q55	<p>The answers to Q49 apply equally here:</p> <p>[1. As to the first question, this approach is not suitable. See answer to Q46:</p> <p>[1. If it became a legal requirement for a Member State to adopt some type of methodology in respect of funding of IORPs over and beyond that required by the IORP Directive, then the least worst approach would be to adopt a principles based approach.</p> <p>2. The reason for this is that a principles based approach provides for a more proportionate approach to the way in which guaranteed benefits in IORPs are to be funded and reflects the differing legal and social context within which retirement provision is made within different Member States in the European Union.</p> <p>3. In this context, it may be noted that the fact that:</p> <p>(a) a particular EU Member State (e.g. the UK) has a large funded IORP degree of pension provision, while</p> <p>(b) other EU Member States (e.g. France and Germany) have a different approach to retirement provision, which means that the IORP Directive is largely irrelevant to such a Member State,</p> <p>further indicates the lack of proportionality of the regulatory approach.</p> <p>4. To illustrate the point, it would be perfectly feasible for the UK to enact legislation to allow employers to restructure their funded occupational pension schemes so that they became book reserve</p>	Noted.

			<p>schemes (thereby falling within Article 2(2)(e) of the IORP Directive (which would then render this particular consultation irrelevant)), supported by security over charged assets corresponding to the existing assets of the UK IORP.]</p> <p>2. As to the second question, see the answer to 1. above.</p> <p>3. As to the third question:</p> <p>(a) the use of a modelling approach will lead to distortions in behaviour relating to attempts to come up with a result that maximises the financial strength of the sponsoring employer and the measured funding, on this basis, of the IORP.</p> <p>(b) this, in turn, is likely to affect, among other things, the way in which the assets of the IORP are invested, potentially in a pro-cyclical fashion and, potentially, in the unproductive purchase of Member State government bonds in a rigged market (for Member States where the relevant central bank has engaged in substantial quantitative easing measures).]</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
2.165.	BAPI	Q55	<p>Q55: Do stakeholders believe that this approach is a suitable method for determining sponsor support? In what circumstances is it appropriate? In what circumstances is it not appropriate?</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>	<p>See comment 1.962.</p>

			<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>The ASA approach is a pragmatic way to capture the value of sponsor support, especially for small and medium sized funds. Further work is needed to avoid cliff effect (more granularity), to capture complex IORP structures (more EIOPA/national guidance). All depends on how the value of sponsor support will be used in the HBS and if the HBS is used as a supervisory tool, what supervisory actions could be linked to it.</p>	Noted.
2.166.	Barnett Waddingham LLP	Q55	We would prefer an approach where the value of sponsor support is simply taken as the balancing item.	Noted.
2.167.	Compass Group PLC	Q55	Q55: Do stakeholders believe that this approach is a suitable method for determining sponsor support? In what circumstances is it appropriate? In what circumstances is it not appropriate?	
2.168.	D & L Scott	Q55	No.	Noted.
2.169.	Eversheds LLP	Q55		
2.170.	GDV	Q55	Do stakeholders believe that this approach is a suitable method for determining sponsor support? In what circumstances is it appropriate? In what circumstances is it not appropriate?	

			The suggested approach seems to be suitable for determining sponsor support in case the necessary input data are available and the underlying assumptions are adequate.	Noted.
2.172.	Heathrow Airport Limited	Q55	Q55: Do stakeholders believe that this approach is a suitable method for determining sponsor support? In what circumstances is it appropriate? In what circumstances is it not appropriate?	
2.173.	Hoechst-Gruppe VVaG	Q55	<p>In general the ASA could be useful for the standard case with a medium sized sponsor with one IORP, in addition, it addresses the problems for unrated IORPs. Generally the credit ratio method seems less sound compared to standard credit ratings as ratings are based on much more information and thus supposedly provide a more reliable estimate for a sponsor's probability of default.</p> <p>It is still not obvious how to deal with nonstandard scenarios where a sponsor supports more than one IORP; where a single IORP has several sponsors or where sponsors are non-corporate. For these cases the ASA is not yet practical or adequate as EIOPA didn't suggests changes. If the suggested proportionality principle and the use of the balancing item does not apply the ASA still seems to be very complex or inadequate, in particular for small IORPs, MES or IORPs with non-corporate sponsors (see also Q62 to 68). Thus further work in a number of areas needs to be done for the general applicability of the ASA. Our main concerns are (see the General Comments for more detail):</p> <p><input type="checkbox"/> Generalisation: not really simpler and not adequate, particularly for MES. The problem of unrated companies has been addressed, but other central problems have not been solved.</p>	

		<p><input type="checkbox"/> Where do the parameters for the calculations come from?</p> <p><input type="checkbox"/> Data requirements: difficult, particularly for MES</p> <p><input type="checkbox"/> Sponsor support and insolvency protection</p> <p>We oppose the introduction of any new data requirements. However, if any new data requirements were to be introduced at all, this should only be done for the future, because in the past the necessary data was not collected. Some aspects of the method still need further explanation or elaboration or otherwise seem very arbitrary (e.g. Tables 4 and 6 in EIOPA's sponsor support discussion paper 2013). Large IORPs should also be allowed to use the simplified approach.</p> <p>As EIOPA indicates the comparability of the ASA with other approaches is questionable (4.244) showing that values for sponsor support deviate systematically).</p> <p>The answer to Q62 to Q68 were:</p> <p>Q62: We are concerned that the approach would not work well for more complex IORP structures, e.g. multi-employer schemes, where one IORP has many sponsors or cases where one sponsor has several IORPs.</p> <p>Q64: Most of the approaches discussed within the consultation are available since the IORP-QIS of 2012. Therefore we had the opportunity to test them already. Especially in cases of industry wide IORPs assessing sponsor strength by using financial reporting proved to be impossible. Sometimes the same held true concerning the</p>	Noted.
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			<p>simplification of a sample of the five largest sponsors because their officially published financial reporting contained not the necessary data.</p> <p>In case of industry wide schemes that use the wage sum for calculating contributions only the total wage sum of the sponsors seemed to be an appropriate solution for assessing the sponsor support.</p> <p>Therefore we would like to bring forward a model which is similarly simple as the PwC model ("M" approach), but which does not require calculating the HBS, but rather rely on a simpler measure (e.g. using market capitalization, total wages technical provisions, etc.).</p> <p>Q 65:</p> <p>We like to discuss a case that is relevant for some German industry wide funds: Legally enforceable sponsor support is available for every employee against his/her own employer. But as a whole there is 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.</p> <p>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. We regard this condition to be met if the sponsors or their representatives corresponded in 3 out of the last 4 times to the pattern. PWC also argues that additional factors should be taken into account when assessing the covenant (See Research Report on Options for assessing employer covenant and the holistic balance</p>	
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			<p>sheet commissioned by Institute and Faculty of Actuaries). Concerning the financial data (including wage sum) discussed above this would lead to the possibility to use industry wide indicators collected by national bureaus of statistic research in comparison to the possible amount of sponsor support needed to balance the HBS. Giving Member States the option to define rules for the recognition of different sets of indicators for sponsor strength or other national specificities could help to adjust the regulatory regime to national GAP.</p> <p>In addition with respect to the use of the balancing item approach for valuing sponsor support we suggest that multi employer schemes with a large number (definition to be discussed) of employers, legally enforceable sponsor support and joint financing should automatically qualify for applying the balancing item approach without recurring to the strength of the individual sponsor (in addition to the listing in no. 4.4 of the consultation document). The rationale for this is that MES with a sufficient number of employers and joint financing could be seen as a means of the collective pooling of default risk of individual sponsors – in analogy to the suggestions of EIOPA regarding pension protection schemes in 4.248 of the consultation paper.</p>	
2.174.	IFoA	Q55	Yes this may be appropriate, but the IFoA considers that national supervisors should give guidance on when this approach may be used.	Noted.
2.175.	IVS	Q55	<p>Yes ; the simplicity is appealing. If the HBS/HPF is introduced, we would suggest that the method's suitability can be tested during a transition period.</p> <p>See our General Comments for an explanation of "HBS/HPF".</p>	Noted.
2.176.	Lincoln Pensions Limited	Q55	Do stakeholders believe that this approach is a suitable method for	

			<p>determining sponsor support? In what circumstances is it appropriate? In what circumstances is it not appropriate?</p> <p><input type="checkbox"/> The Alternative Simplified Approach ("ASA") might prove to be a helpful method for small and medium sized IORPs, supported by one sponsor, to use in responding to supervisory queries about sponsor support.</p> <p><input type="checkbox"/> Our concern is that, in seeking to adopt a simplified approach that can be applied uniformly, much of the utility in an assessment of sponsor support is lost. The output across IORPs may be easily comparable but, due to the simplifications and assumptions adopted, may well inaccurately reflect the actual strength of that sponsor support.</p> <p><input type="checkbox"/> We believe the approach adopted by the UK pensions industry already provides a good basis for individual IORPs to make effective decisions in respect of sponsor support. However, such an approach may be too extensive and individual for supervisors. The UK Pensions Regulator and Pension Protection Fund recognise this by using their own benchmarking methods that are separate from those used by individual IORPs.</p> <p><input type="checkbox"/> If the aim is for the holistic balance sheet to be useful to IORPS or drive funding requirements then additional consideration would be needed from EIOPA around the way IORPs should incorporate non-standard but common considerations (e.g. where there are multiple sponsors, conditional support structures or unusual trading) into the ASA.</p>	Noted.
2.177.	NAPF	Q55	<p>Q55: Do stakeholders believe that this approach is a suitable method for determining sponsor support? In what circumstances is it appropriate? In what circumstances is it not appropriate?</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>	
2.180.	Pensioenfederatie	Q55	<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 purpose. 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>The ASA model does not take future shortfalls into account. This model is not in line with the overarching principle that market consistent valuation methods should be used. Therefore it is not appropriate. However, we support the simplification in this method with regard to the derival of the credit risk of the sponsor.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>

2.181.	PensionsEurope	Q55	<p>Do stakeholders believe that this approach is a suitable method for determining sponsor support? In what circumstances is it appropriate? In what circumstances is it not appropriate?</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 ASA model does not take future shortfalls into account. This model is not in line with the overarching principle that market consistent valuation methods should be used. However, we support the simplification in this method with regard to the derivation of the credit risk of the sponsor.</p> <p>In general the ASA could be useful for the standard case with a medium sized sponsor with one IORP, and addresses the problems for unrated IORPs. Generally the credit ratio method seems less sound compared to standard credit ratings as ratings are based on much more information and thus supposedly provide a more reliable estimate for a sponsor's probability of default.</p> <p>However PensionsEurope warns it is still not obvious how to deal with "non-standard" scenarios where a sponsor supports more than one</p>	Noted as a general comment.
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			<p>IORP; where a single IORP has several sponsors or where sponsors are non-corporate. For these cases the ASA is not practical or adequate as EIOPA did not suggests changes. If the suggested proportionality principle and the use of the balancing item does not apply the ASA still seems to be very complex or inadequate, in particular for small IORPs, MES or IORPs with non-corporate sponsors (see also Q62 to 68). Thus further work in a number of areas needs to be done for the general applicability of the ASA. Also further work is necessary in order to avoid cliff effect.</p> <p>Our main concerns are:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Generalisation: not really simpler and not adequate, particularly for MES. The problem of unrated companies has been addressed, but other central problems have not been solved. <input type="checkbox"/> Where do the parameters for the calculations come from? <input type="checkbox"/> Data requirements: difficult, particularly for MES <input type="checkbox"/> Sponsor support and insolvency protection <p>We oppose the introduction of any new data requirements. However, if any new data requirements were to be introduced at all, this should only be done for the future, because in the past the necessary data was not collected. Some aspects of the method still need further explanation or elaboration or otherwise seem very arbitrary (e.g. Tables 4 and 6 in EIOPA's sponsor support discussion paper 2013). We also point out that large IORPs should also be allowed to use the simplified approach.</p> <p>As EIOPA indicates the comparability of the ASA with other approaches</p>	
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			<p>is questionable (4.244) showing that values for sponsor support deviate systematically.</p> <p>Finally, we emphasize that an IORP with a funding ratio above 100% should not be forced to use these approaches since they are not suitable for a fully funded situation. Overall, we think that legally binding, unlimited sponsor support should entail a positive value regardless of the current funding situation.</p>	Noted.
2.184.	RPTCL	Q55	<p>This seems to be an area where stakeholders have already received feedback in previous exercises.</p> <p>The document itself states :</p> <p>"[the ASA] is not suitable for more complex sponsor arrangements or IORPS that are currently fully funded.</p> <p>4.185 A number of detailed criticisms or observations were made on the ASA, in particular on the cliff edges between different levels of assessed financial strength and the possibility of using further or different metrics, where credit risk assessments are assured".</p> <p>The list of "Advantages" and "Disadvantages" in the document also indicates a heavy weight towards the disadvantages.</p> <p>We see little value in sponsor support assessments based on the</p>	

			usage of standardised tables and, again, we believe that the approach for considering sponsor support should be left for the IORP and sponsor to determine together considering all relevant factors "in the round".	Noted.
2.185.	Society of Pension Professionals	Q55	<p>Do stakeholders believe that this approach is a suitable method for determining sponsor support? In what circumstances is it appropriate? In what circumstances is it not appropriate?</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>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
2.186.	Towers Watson	Q55	Do stakeholders believe that this approach is a suitable method for	

			<p>determining sponsor support? In what circumstances is it appropriate? In what circumstances is it not appropriate?</p> <p>We believe this method may result in suitable results for some IORPs in some conditions but is unlikely to be able to deal with all potential circumstances. For this reason, we support a more general principles-based approach.</p>	Noted.
2.187.	United Utilities Group	Q55	Q55: Do stakeholders believe that this approach is a suitable method for determining sponsor support? In what circumstances is it appropriate? In what circumstances is it not appropriate?	
2.188.	ZVK-Bau	Q55	Apart from the overall unfitting concept of the HBS for our scheme we welcome all kinds of simplifications. Unfortunately for our scheme with 55,000 sponsors of which 92 % have less than 10 employees and the overwhelming problem of data even the ASA is useless because it works on an individual assessment of each and every sponsor.	Noted.
2.189.	OPSG	Q56	The proposed adaptations deal with many of the issues raised but cannot completely resolve all of these. A simplified approach by its nature will never produce completely appropriate outputs in all circumstances. However the approach has many advantages to many forms of IORP and EIOPA should produce spreadsheets to enable IORPs to use this simplification.	Noted.
2.190.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q56	No, we do not see that any adaptations have been made with respect to the problems mentioned in Q55. The suggested balancing item approach is helpful only when applicable, but that does not help in cases where the criteria are not fulfilled and the proportionality principle thus not qualifies: In this case a concrete valuation using one of the 5 principles-based approaches (incl. the ASA) has to be applied (see 4.200).	Noted.
2.191.	ACA	Q56	No	Noted.

2.192.	Actuarial Association of Europe	Q56	We do not understand what proposed adaptations are being referenced here	Noted.
2.193.	AEIP	Q56	No.	Noted.
2.194.	Aon Hewitt	Q56	<p>Most of the disadvantages can be overcome by introducing additional guidance from national supervisors which would be consistent with a principles-based approach, and also allowing for the use of judgement when checking whether results are reasonable (for example if, for some sponsors, the reliance on income cover is inappropriate). Indeed, some of the other methods appear to have much greater disadvantages than this method (for example, the B&H stochastic methods have no affordability check at all). The problem of cliff edges is not unique to this method – in fact cliff edges can be found in other areas of EIOPA’s work (eg SCR parameters for dealing with bonds with different credit ratings). In any case, cliff edges can easily be dealt with by having more credit quality buckets (eg 10 rather than 5).</p> <p>We think EIOPA or national supervisors could produce spreadsheets to enable IORPs to use this simplification. Inputs could be taken from data in the most recent financial accounts for the sponsor. However, due to the wide range of accounting terms in use, it would also be important for users to be aware that judgement should be made to check inputs are reasonable. Since we support a principles-based approach, it would be important for IORPs to be aware that they need to apply principles to ensure outputs are also reasonable.</p>	Noted.
2.195.	Association of Pension Lawyers	Q56	1. A problem with this approach is that, if the future interest rate is derived from a rate which is linked to yield on government bonds of the appropriate duration, then the results of the model will be distorted where the government bond market is rigged through the	

			<p>use by the central bank of the Member State in question (or of the Eurozone) engaging in quantitative easing.</p> <p>2. For example, the Bank of England is on record as having concluded that quantitative easing in the UK has had the effect of reducing yields for UK Government bonds with a 15-20 year maturity by 120 basis points (which, in turn, results in the liabilities of the UK pension schemes being over-stated by, perhaps, 25%).</p>	Noted.
2.196.	BAPI	Q56	<p>Q56: Do the proposed adaptations to this option overcome the criticisms? Should EIOPA produce spreadsheets to enable IORPs to use this simplification?</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>Proposed adaptations seem to be an improvement. Spreadsheets to use the simplifications are welcomed.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
2.197.	Barnett Waddingham	Q56	No, EIOPA should not produce spreadsheets.	Noted.

	LLP			
2.198.	BASF SE	Q56	The criticism of the overall HBS approach remains to full extent.	Noted.
2.199.	British Telecommunications plc	Q56	<p>Q56: Do the proposed adaptations to this option overcome the criticisms? Should EIOPA produce spreadsheets to enable IORPs to use this simplification?</p> <p>No. These are matters that should be determined in each Member State against the backdrop of its own supervisory regime.</p>	Noted.
2.200.	Compass Group PLC	Q56	Q56: Do the proposed adaptations to this option overcome the criticisms? Should EIOPA produce spreadsheets to enable IORPs to use this simplification?	
2.201.	D & L Scott	Q56	See my earlier answers to Q50, Q52 and Q54. The disadvantages listed in section 4.186 seem quite serious to me.	Noted.
2.202.	EEF	Q56	Any EU-developed principles should be very high-level only and national regulators should be able to determine the most appropriate approach that particular Member State. EIOPA spread sheets are not, therefore, necessary.	Noted.
2.203.	Eversheds LLP	Q56		
2.204.	GDV	Q56	Do the proposed adaptations to this option overcome the criticisms?	

			<p>Should EIOPA produce spreadsheets to enable IORPs to use this simplification?</p> <p>The further simplifications of the approach bring partial improvements. EIOPA's spreadsheets could be useful in order to enable IORPs to use this simplification.</p>	Noted.
2.206.	Heathrow Airport Limited	Q56	Q56: Do the proposed adaptations to this option overcome the criticisms? Should EIOPA produce spreadsheets to enable IORPs to use this simplification?	
2.207.	Hoechst-Gruppe VVaG	Q56	No, we do not see that any adaptations have been made with respect to the problems mentioned in Q55. The suggested balancing item approach is helpful only when applicable, but that does not help in cases where the criteria are not fulfilled and the proportionality principle thus not qualifies: In this case a concrete valuation using one of the 5 principles-based approaches (incl. the ASA) has to be applied (see 4.200).	Noted.
2.208.	IFoA	Q56	This approach may be appropriate with these adaptations but the IFoA considers that national supervisors should give guidance on when it may be used and EIOPA should be provide spreadsheets.	Noted.
2.209.	IVS	Q56	The approach is worth a try.	Noted.
2.210.	NAPF	Q56	<p>Q56: Do the proposed adaptations to this option overcome the criticisms? Should EIOPA produce spreadsheets to enable IORPs to use this simplification?</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 as a general comment.

			place undue burdens on workplace pension schemes. No answer	
2.213.	Pensioenfederatie	Q56	<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. 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>No.</p>	Noted as a general comment.
2.214.	PensionsEurope	Q56	<p>Do the proposed adaptations to this option overcome the criticisms? Should EIOPA produce spreadsheets to enable IORPs to use this simplification?</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>	Noted as a general

			<p>workplace pension schemes.</p> <p>No, we do not see that any adaptations have been made with respect to the problems mentioned in Q55. The suggested balancing item approach (especially PwC's "M" approach to assessing sponsors strength) is helpful only when applicable, but that does not help in cases where the criteria are not fulfilled and the proportionality principle thus not qualifies: In this case a concrete valuation using one of the 5 principles-based approaches (incl. the ASA) has to be applied (see 4.200).</p> <p>No, EIOPA should not produce spreadsheets to enable IORPs to use this simplification.</p>	<p>comment.</p> <p>Noted.</p>
2.217.	RPTCL	Q56	<p>It is unclear to us from the document what the "proposed adaptations" referred to are.</p> <p>EIOPA should only produce spreadsheets if these are specifically requested by IORPs or sponsors as part of a process of assessing sponsor support "in the round".</p>	Noted.
2.218.	Society of Pension Professionals	Q56	<p>Do the proposed adaptations to this option overcome the criticisms? Should EIOPA produce spreadsheets to enable IORPs to use this simplification?</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</p>	

			<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>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
2.219.	Towers Watson	Q56	<p>Do the proposed adaptations to this option overcome the criticisms? Should EIOPA produce spreadsheets to enable IORPs to use this simplification?</p> <p>We believe spreadsheets could be useful to ensure the model is interpreted consistently. However, we remain unconvinced that the proposed adaptations would overcome the criticisms. In particular, the proposed metrics could still result in inappropriate cliff-edges and may be open to unwanted manipulation or result in inappropriate results. Any approach needs to retain enough flexibility to reflect any specific circumstances of a given IORP. Therefore, this is a matter for individual Member States and national competent authorities.</p>	Noted.
2.220.	United Utilities Group	Q56	<p>Q56: Do the proposed adaptations to this option overcome the criticisms? Should EIOPA produce spreadsheets to enable IORPs to use</p>	

			this simplification?	
2.221.	ZVK-Bau	Q56	No. At least not for industry-wide funds like ours.	Noted.
2.222.	OPSG	Q57	The OPSG agrees. Because of all the specific characteristics of the IORPs in the different Member States, it seems difficult to capture sponsor support in one single formula all over the EU. The logical step is then to go for a principle based approach on EU level offering the opportunity to the Member States to adequately take into account the specific national characteristics also on the calculation of maximum sponsor support.	Noted.
2.223.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q57	<p>Yes, see also Q36 and Q46.</p> <p>A principles-based-approach enables to cover a broad range of different types of IORPs and sponsors as well as country specific differences and to find suitable solutions. Thus the regulatory specifics should be set by Member States including a variety of equivalent approaches and leaving it up to the IORP to decide which approach to choose (including particularly the balancing item approach). In addition further deterministic simplifications by Member State to consider national circumstances should be allowed for.</p> <p>The answers to Q36 and Q46 were:</p> <p>The aba is still of the opinion that the concept of the HBS should not be applied to IORPs. The reason is that the HBS and the calculation of the SCR fully rest on the Solvency II structure regarding the market consistent valuation of assets and liabilities and the assessment and quantification of risks which the aba regards as unsuitable for IORPs.</p> <p>But given the HBS would be applied to IORPs we support at the most</p>	Noted.

			<p>a principle based approach to valuing sponsor support that leaves the specifics to be set by Member States and national competent authorities. This approach would enable the national legislator to find suitable solutions for valuation of this mechanism under consideration of the different types of sponsors and how sponsor support is organized and legally regulated (in SLL) within each Member State. A „one-size-fits-all“-approach that doesn’t fit accurately for none of the existing variants should not be applied.</p> <p>The aba in general wants to underline that sponsor support should be considered in a regulatory framework. Thus – assuming that the HBS would be introduced - the proportionality principle including the balancing item approach for the use of sponsor support in combination with a model which is similarly simple as the PwC model (“M” approach) could potentially be part of this principle based approach. However, this alternative approach should not require calculating the HBS (for the “M” approach this is needed), but rather rely on a simpler measure (e.g. technical provisions).</p> <p>In this context we welcome that EIOPA recommends using the principle of proportionality and the introduction of the balancing item approach: IORPs with certain characteristics would not have to do detailed calculations to determine whether the HBS balances (p. 43). But we think that in these cases the strong sponsor should make up for explicit exemptions that should release from explicitly setting up a holistic balance sheet or Solvency II-like risk based solvency capital requirements.</p> <p>The aba is still of the opinion that the concept of the HBS should not be applied to IORPs as the HBS and the calculation of the SCR fully</p>	
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			<p>rest on the Solvency II structure regarding the market consistent valuation of assets and liabilities and the assessment and quantification of risks. We regard this approach as unsuitable for IORPs and the long term nature of pensions because it delivers inadequate management incentives.</p> <p>But assuming the HBS would be applied to IORPs we agree to a principles-based and IORP specific approach to valuing sponsor support instead of an inadequate „one-size-fits-all“-approach for all types of IORPs. This enables to cover a broad range of different types of IORPs and sponsors as well as country specific differences and to find suitable solutions. Thus the regulatory specifics should be set by Member States (see Q36) including a variety of equivalent approaches and leaving it up to the IORP to decide which approach to choose (including particularly the balancing item approach). In addition further deterministic simplifications by Member States to consider national circumstances should be allowed. A stochastic modeling or explicit cash-flow-modeling should not be compulsory.</p> <p>The aba in general wants to underline that sponsor support should be considered in a regulatory framework. Thus – assuming that the HBS should be introduced - within the HBS the balancing item approach for the valuation of sponsor support in combination with a model which is similarly simple as the PwC model (“M” approach), but which would not require calculating the HBS (for the “M” approach this is needed), but rather rely on a simpler measure (e.g. using technical provisions, market capitalization, total wages, etc.) should be part of the suggested approaches.</p> <p>Q66: The suggested approach is appropriate as it will facilitate the</p>	
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			<p>valuation without violating the underlying principles. Allowing parent guarantees under the same conditions and with the same effects as “standard” sponsor support is reasonable and, in addition, often a meaningful simplification.</p> <p>Q67:</p> <p>We welcome that EIOPA still explicitly recognizes that the non-standard case of non-corporate sponsors, especially public sector entities and charities which are in addition mostly multi-employer-schemes (MES), deserve specific considerations.</p> <p>We recognise that in particular the presented principle 2 together with a model which is similarly simple as the PwC model (“M” approach), which should not require calculating the HBS, but rather rely on a simpler measure (e.g. technical provisions) for the use of the balancing item approach and the calculation of the sponsor support facilitates the valuation for not-for-profit sponsors, especially if this needs to be done by using total wages as proxy and for MES only for the suggested sample of the 5 largest sponsors. The suggested approach seems to be more appropriate than previous suggestions as applying the ASA procedure (incl. collecting the numbers for the two credit ratios, asset cover and income cover; to determine reasonable payment periods; to calculate the loss absorbing capacity and to perform sensitivity analysis) for all the sponsors of multi-employer-schemes (suggested in EIOPA’s 2013 Discussion Paper on SS).</p> <p>With respect to the range of (partly new) simplified valuation methods presented by EIOPA we are of the opinion that these approaches (except the balancing item approach) are still not suitable / workable</p>	
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			<p>for not-for-profit and public sector sponsors as all these approaches focus on financial data / metrics of corporate sponsors. EIOPA has not yet further developed solutions or amendments for quantifying the sponsor support related to not-for-profit-institutions and for public sector IORPs (see No. 4.235 to 4.237) compared to EIOPA's Sponsor Support Consultation (see No. 64 to 67 and 101 to 102 of the 2013 Discussion Paper) and EIOPA's Sponsor Support Conference in 2013 – thus these problems are still not resolved.</p> <p>Although EIOPA states (No. 4.236) that assessing the ability of the sponsor(s) to provide financial support to the IORP is in principle not different for not-for-profit sponsors compared to corporate sponsors no concrete suggestions of how to do so can be found:</p> <ul style="list-style-type: none"> • EIOPA still mentions with respect to charities, etc. that a relaxation with respect to the income ratio but a increased value for the asset cover / balance sheet ratio within the ASA might be suitable. But we are of the opinion that it will be rather challenging to discover a serious (data) base for the deduction of how much relaxation is appropriate (i.e. to develop an adjusted credit ratio matrix for not-for-profits). Valid data on default probabilities for not-for-profit entities seems to be lacking. If no serious deduction is possible, the procedure as a whole becomes questionable. In addition, there is doubt that financial ratios for not-for-profit entities have the same explanatory power as those of profit-oriented corporations always paying attention on their financial metrics. Therefore, the output of the simplified alternative approach for not-for-profit entities might not be comparable with the output for profit-oriented corporations. • Public sector sponsors are not mentioned anymore by EIOPA, 	
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			<p>although they were explicitly tackled in the Sponsor Support Discussion Paper of 2013 stating that the credit quality of the public sponsor may be assessed using the credit ratios analogue to the income and the asset cover ratio (see No. 67 Discussion Paper 2013). This seems to indicate that EIOPA realized that a thorough assessment of these mostly very complex financial arrangements and safeguarding mechanisms of many public sector entities is time-consuming and can hardly be handled while the approach itself is already questionable (e.g. an attempt to precisely qualify). Especially multi-employer public sector IORPs will face obstacles. For example, a German public sector IORP with municipalities as sponsors would have to assess the structure and the various dimensions of the revenue equalisations in Germany, that organises the financial distributional system between the different administrative levels: municipalities, federal states, federal level. This system involves a distinction between the primary and secondary revenue equalisation (the formal allocation of proportions from certain tax revenues vs. hardship case adjustments) as well as between the horizontal and the vertical revenue equalisation (from one municipality/state to another municipality/state vs. from the federal state to the states or from the states to the municipalities). The German system of revenue equalisation is very complex and a thorough assessment seems to be unworkable in practice.</p>	
2.224.	ACA	Q57	<p>Yes – we agree that a simplified one-size-fits-all approach is not possible. This is because of the wide range of characteristics of sponsors across the whole of the EEA. Any attempt to turn the valuation of maximum sponsor support into a simple calculation which can then be applied to any single sponsor is unlikely to be successful.</p>	Noted.
2.225.	Actuarial Association of Europe	Q57	<p>Yes.</p>	Noted.
2.226.	AEIP	Q57	<p>AEIP does not believe that the HBS might serve as an adequate tool</p>	

			<p>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.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
2.227.	Aon Hewitt	Q57	<p>Yes – we agree that a simplified one-size-fits-all approach is not possible given the complexity of the issue and the wide range of characteristics of sponsors across the whole of the EEA. Any attempt to turn the valuation of maximum sponsor support into a simple calculation which can then be applied to any single sponsor is unlikely to be successful.</p>	Noted.
2.228.	Association of Pension Lawyers	Q57	<ol style="list-style-type: none"> 1. Ultimately, neither a one-size-fits-all approach nor a principles-based approach works in relation to the calculation of maximum sponsor support. 2. A one-size-fits-all approach does not work for the reasons referred to in the consultation paper – it would not take into account the different organisations who sponsor IORPs (not just commercial or not-for-profit but tax-payer funded organisations) or the complex financial arrangements within each individual organisation that sponsors one or more IORPs. 	

			<p>3. However, a principles-based approach is not practicable either. It will lead to mass complexity and mass divergence of approach from one member state to another. At some point, broad principles will have to be applied in practice and there is a real danger that this will lead to disproportionate costs being incurred – for all the reasons recognised by EIOPA, this is not a straightforward exercise. If EIOPA cannot develop a straightforward, proportionate and appropriate way of measuring sponsor support, it must presumably be a complex process and one that EIOPA is potentially expecting each IORP to develop for itself.</p> <p>4. The “simplified” method put forward by EIOPA involves a cliff-edge distinction between sponsors whose value exceeds M times the value of sponsor support included in the HBS and those sponsors who do not. Not only is there a cliff-edge to this distinction, the M multiple is totally arbitrary and so will inevitably lead to perverse results.</p>	Noted
2.229.	BAPI	Q57	<p>Q57: Do stakeholders agree that a simplified one-size-fits-all approach for the calculation of maximum sponsor support is not possible and so the best approach is the proposed principles-based approach for including sponsor affordability? If not, please explain.</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>	

			<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>We agree.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
2.230.	Barnett Waddingham LLP	Q57	We agree that a one-size-fits all approach for the calculation of maximum sponsor support is not possible. As such, we would prefer an approach where the value of sponsor support is simply taken as the balancing item.	Noted.
2.231.	BASF SE	Q57	There is no one-size-fits-all approach, neither for sponsors support nor for HBS. The concept should not be used and full responsibility should remain with the member states and the local supervision.	Noted.
2.232.	Better Finance	Q57	See the response in Q46	
2.233.	Compass Group PLC	Q57	Q57: Do stakeholders agree that a simplified one-size-fits-all approach for the calculation of maximum sponsor support is not possible and so the best approach is the proposed principles-based approach for including sponsor affordability? If not, please explain.	
2.234.	D & L Scott	Q57	Yes.	Noted.
2.235.	EEF	Q57	<p>EEF agrees that a simplified one-size-fits-all approach is not possible, particularly for large or complex IORPs.</p> <p>We believe any EU-developed principles should be very high-level only and national regulators should be able to determine the most appropriate approach for that particular Member State.</p>	Noted.

2.236.	Eversheds LLP	Q57	<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, Eversheds agrees that a principles-based, IORP-specific approach to valuation of sponsor support should form part of the Holistic Balance Sheet regime. The principles themselves should be high-level with the specifics left to national regulators to determine. Any such principles should include the principle that IORPs should take into account the amount that they might stand to recover on a sponsor's insolvency where the insolvency of the sponsor is a realistic prospect in the short to medium term.</p> <p>However, this approach might not be suitable for all schemes, particularly, smaller IORPs due to the cost of developing an IORP specific approach. Therefore, we suggest that IORPs should be able to choose between adopting an IORP-specific approach or a prescribed approach.</p>	Noted.
2.237.	FSUG	Q57	See the response in Q46	
2.238.	GDV	Q57	<p>Do stakeholders agree that a simplified one-size-fits-all approach for the calculation of maximum sponsor support is not possible and so the best approach is the proposed principles-based approach for including sponsor affordability? If not, please explain.</p> <p>Yes.</p>	Noted.

2.239.	GE Pension Trustees Limited	Q57	<p>Do stakeholders agree that a simplified one-size-fits-all approach for the calculation of maximum sponsor support is not possible and so the best approach is the proposed principles-based approach for including sponsor affordability? If not, please explain.</p> <p>Yes, we agree that a one-size fits-all approach for determining the value of sponsor support for an IORP is not possible. We would also emphasise that any assessment of sponsor support needs to be both pragmatic and proportionate, in the context of the potential complexity of many corporate group structures.</p> <p>Any principles-based approach therefore needs to be able to flexibly deal with the practical issue of assessing sponsor support in the case where the IORP has a number of participating employers within the same corporate group and/or the IORP is provided with either direct or indirect support from the wider group (for example, via intercompany guarantees)</p>	Noted.
2.241.	Heathrow Airport Limited	Q57	Q57: Do stakeholders agree that a simplified one-size-fits-all approach for the calculation of maximum sponsor support is not possible and so the best approach is the proposed principles-based approach for including sponsor affordability? If not, please explain.	
2.242.	Hoechst-Gruppe VVaG	Q57	<p>Yes, see also Q36 and Q46.</p> <p>A principles-based-approach enables to cover a broad range of different types of IORPs and sponsors as well as country specific</p>	

		<p>differences and to find suitable solutions. Thus the regulatory specifics should be set by Member States including a variety of equivalent approaches and leaving it up to the IORP to decide which approach to choose (including particularly the balancing item approach). In addition further deterministic simplifications by Member State to consider national circumstances should be allowed for.</p> <p>The answers to Q36 and Q46 were:</p> <p>The HBS should not be applied to IORPs. The reason is that the HBS and the calculation of the SCR fully rest on the Solvency II structure regarding the market consistent valuation of assets and liabilities and the assessment and quantification of risks unsuitable for IORPs.</p> <p>But given the HBS would be applied to IORPs we support at the most a principle based approach to valuing sponsor support that leaves the specifics to be set by Member States and national competent authorities. This approach would enable the national legislator to find suitable solutions for valuation of this mechanism under consideration of the different types of sponsors and how sponsor support is organized and legally regulated (in SLL) within each Member State. A „one-size-fits-all“-approach that doesn’t fit accurately for none of the existing variants should not be applied.</p> <p>In particular, we want to underline that sponsor support should be considered in a regulatory framework. Thus – assuming that the HBS would be introduced - the proportionality principle including the balancing item approach for the use of sponsor support in combination with a model which is similarly simple as the PwC model (“M” approach) could potentially be part of this principle based approach.</p>	Noted.
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			<p>However, this alternative approach should not require calculating the HBS (for the “M” approach this is needed), but rather rely on a simpler measure (e.g. technical provisions).</p> <p>In this context we welcome that EIOPA recommends using the principle of proportionality and the introduction of the balancing item approach: IORPs with certain characteristics would not have to do detailed calculations to determine whether the HBS balances (p. 43). But we think that in these cases the strong sponsor should make up for explicit exemptions that should release from explicitly setting up a holistic balance sheet or Solvency II-like risk based solvency capital requirements.</p> <p>The concept of the HBS should not be applied to IORPs as the HBS and the calculation of the SCR fully rest on the Solvency II structure regarding the market consistent valuation of assets and liabilities and the assessment and quantification of risks. We regard this approach as unsuitable for IORPs and the long term nature of pensions because it delivers inadequate management incentives.</p> <p>But assuming the HBS would be applied to IORPs we agree to a principles-based and IORP specific approach to valuing sponsor support instead of an inadequate „one-size-fits-all“-approach for all types of IORPs. This enables to cover a broad range of different types of IORPs and sponsors as well as country specific differences and to find suitable solutions. Thus the regulatory specifics should be set by Member States (see Q36) including a variety of equivalent approaches and leaving it up to the IORP to decide which approach to choose (including particularly the balancing item approach). In addition further deterministic simplifications by Member States to consider</p>	
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			<p>national circumstances should be allowed. A stochastic modeling or explicit cash-flow-modeling should not be compulsory.</p> <p>Sponsor support should be considered in a regulatory framework. Thus – assuming that the HBS should be introduced - within the HBS the balancing item approach for the valuation of sponsor support in combination with a model which is similarly simple as the PwC model (“M” approach), but which would not require calculating the HBS (for the “M” approach this is needed), but rather rely on a simpler measure (e.g. using technical provisions, market capitalization, total wages, etc.) should be part of the suggested approaches.</p> <p>Q66: The suggested approach is appropriate as it will facilitate the valuation without violating the underlying principles. Allowing parent guarantees under the same conditions and with the same effects as “standard” sponsor support is reasonable and, in addition, often a meaningful simplification.</p> <p>Q67:</p> <p>We welcome that EIOPA still explicitly recognizes that the non-standard case of non-corporate sponsors, especially public sector entities and charities which are in addition mostly multi-employer-schemes (MES), deserve specific considerations.</p> <p>We recognise that in particular the presented principle 2 together with a model which is similarly simple as the PwC model (“M” approach), which should not require calculating the HBS, but rather rely on a simpler measure (e.g. technical provisions) for the use of the</p>	
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			<p>balancing item approach and the calculation of the sponsor support facilitates the valuation for not-for-profit sponsors, especially if this needs to be done by using total wages as proxy and for MES only for the suggested sample of the 5 largest sponsors. The suggested approach seems to be more appropriate than previous suggestions as applying the ASA procedure (incl. collecting the numbers for the two credit ratios, asset cover and income cover; to determine reasonable payment periods; to calculate the loss absorbing capacity and to perform sensitivity analysis) for all the sponsors of multi-employer-schemes (suggested in EIOPA's 2013 Discussion Paper on SS).</p> <p>With respect to the range of (partly new) simplified valuation methods presented by EIOPA we are of the opinion that these approaches (except the balancing item approach) are still not suitable / workable for not-for-profit and public sector sponsors as all these approaches focus on financial data / metrics of corporate sponsors. EIOPA has not yet further developed solutions or amendments for quantifying the sponsor support related to not-for-profit-institutions and for public sector IORPs (see No. 4.235 to 4.237) compared to EIOPA's Sponsor Support Consultation (see No. 64 to 67 and 101 to 102 of the 2013 Discussion Paper) and EIOPA's Sponsor Support Conference in 2013 – thus these problems are still not resolved.</p> <p>Although EIOPA states (No. 4.236) that assessing the ability of the sponsor(s) to provide financial support to the IORP is in principle not different for not-for-profit sponsors compared to corporate sponsors no concrete suggestions of how to do so can be found:</p> <ul style="list-style-type: none"> • EIOPA still mentions with respect to charities, etc. that a relaxation with respect to the income ratio but a increased value for 	
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			<p>the asset cover / balance sheet ratio within the ASA might be suitable. But we are of the opinion that it will be rather challenging to discover a serious (data) base for the deduction of how much relaxation is appropriate (i.e. to develop an adjusted credit ratio matrix for not-for-profits). Valid data on default probabilities for not-for-profit entities seems to be lacking. If no serious deduction is possible, the procedure as a whole becomes questionable. In addition, there is doubt that financial ratios for not-for-profit entities have the same explanatory power as those of profit-oriented corporations always paying attention on their financial metrics. Therefore, the output of the simplified alternative approach for not-for-profit entities might not be comparable with the output for profit-oriented corporations.</p> <ul style="list-style-type: none"> Public sector sponsors are not mentioned anymore by EIOPA, although they were explicitly tackled in the Sponsor Support Discussion Paper of 2013 stating that the credit quality of the public sponsor may be assessed using the credit ratios analogue to the income and the asset cover ratio (see No. 67 Discussion Paper 2013). This seems to indicate that EIOPA realized that a thorough assessment of these mostly very complex financial arrangements and safeguarding mechanisms of many public sector entities is time-consuming and can hardly be handled while the approach itself is already questionable (e.g. an attempt to precisely qualify). Especially multi-employer public sector IORPs will face obstacles. For example, a German public sector IORP with municipalities as sponsors would have to assess the structure and the various dimensions of the revenue equalisations in Germany, that organises the financial distributional system between the different administrative levels: municipalities, federal states, federal level. This system involves a distinction between the primary and secondary revenue equalisation (the formal allocation of proportions from certain tax revenues vs. hardship case adjustments) as well as between the horizontal and the vertical revenue equalisation 	
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			(from one municipality/state to another municipality/state vs. from the federal state to the states or from the states to the municipalities). The German system of revenue equalisation is very complex and a thorough assessment seems to be unworkable in practice.	
2.243.	IFoA	Q57	We agree that an adequate simplified one-size-fits-all approach for the calculation of maximum sponsor support is not possible. The IFoA considers that national supervisors should give guidance on the approach to be used.	Noted.
2.244.	IVS	Q57	Yes. A principles-based-approach enables the coverage a broad range of different types of IORPs and sponsors as well as country specific differences and to find suitable solutions. Thus the regulatory specifics should be set by Member States including a variety of equivalent approaches and leaving it up to the IORP to decide which approach to choose (including particularly the balancing item approach). In addition further, deterministic simplifications to take account of national circumstances should be allowed for.	Noted.
2.245.	Jane Marshall Consulting	Q57	A one size fits all approach is clearly not possible. The best approach is to leave the assessment of sponsor support to accountable IORP managers (trustees in the UK) working within a robust and risk based national regulatory system.	Noted.
2.246.	NAPF	Q57	Q57: Do stakeholders agree that a simplified one-size-fits-all approach for the calculation of maximum sponsor support is not possible and so the best approach is the proposed principles-based approach for including sponsor affordability? If not, please explain.	

			<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 a simplified one-size-fits-all approach is not possible, particularly for large or complex IORPs.</p> <p>The principle-based approach, however, appears to make an arbitrary choice of an approach based on the relationship between the value of the sponsor and certain multiples of sponsor support. This is not adequately justified in the consultation paper.</p> <p>Note that the suggestion (para 4.189) that the balancing item approach would require ‘additional prudential requirements’ seems odd, as this would effectively penalise schemes for enjoying robust financing and support. No details are given on what the additional prudential requirements would be; EIOPA should make this clear.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
2.250.	Pensioenfederatie	Q57	<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.</p>	<p>Noted as a general comment.</p> <p>Noted .</p>
2.251.	PensionsEurope	Q57	<p>Do stakeholders agree that a simplified one-size-fits-all approach for the calculation of maximum sponsor support is not possible and so the best approach is the proposed principles-based approach for including sponsor affordability? 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>Yes, PensionsEurope agrees that a simplified “one-size-fits-all” approach is not possible, particularly for large or complex IORPs. A principles-based-approach enables to cover a broad range of different types of IORPs and sponsors as well as country specific differences and to find suitable solutions. Thus the regulatory specifics should be set by Member States including a variety of equivalent approaches and leaving it up to the IORP to decide which approach to choose (including particularly the balancing item approach). In addition further deterministic simplifications by Member State to consider</p>	<p>Noted as a general comment.</p>

			<p>national circumstances should be allowed for.</p> <p>The principles-based approach, however, appears to make an arbitrary choice of an approach based on the relationship between the value of the sponsor and certain multiples of sponsor support. This is not adequately justified in the consultation paper.</p> <p>PensionsEurope notes that the suggestion (para 4.189) that the balancing item approach would require 'additional prudential requirements' seems odd, as this would effectively penalise schemes for enjoying robust financing and support. No details are given on what the additional prudential requirements would be; EIOPA should make this clear.</p>	Noted.
2.254.	RPTCL	Q57	<p>We completely agree that a "one-size-fits-all" approach to sponsor support and affordability assessment is entirely inappropriate. However, the "M" based approach in our view is simplistic and we simply do not believe that a meaningful single "value" for sponsor support can be arrived at for a great many sponsors.</p>	Noted.
2.255.	Society of Pension Professionals	Q57	<p>Do stakeholders agree that a simplified one-size-fits-all approach for the calculation of maximum sponsor support is not possible and so the best approach is the proposed principles-based approach for including sponsor affordability? 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</p>	

			<p>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 agree that it is not possible to place a meaningful ,unique' number on sponsor support. Had it been so, then those countries that have a strong reliance on such support for the protection of the pensions of its citizens would have done so. However, we disagree with the implication that it follows that there should be a „proposed principles-based approach". Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
2.256.	Towers Watson	Q57	<p>Do stakeholders agree that a simplified one-size-fits-all approach for the calculation of maximum sponsor support is not possible and so the best approach is the proposed principles-based approach for including sponsor affordability? If not, please explain.</p> <p>We agree that it is not possible to place a meaningful ,unique' number on sponsor support. Had it been so, then those countries that have a strong reliance on such support for the protection of the pensions of its citizens would have done so. However, we disagree with the implication that it follows that there should be an EU-wide „proposed principles-based approach". Sponsor support should be treated as a</p>	

			balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise. Even where a Member State decides that in some cases it may be appropriate to value sponsor support, it can then decide on the appropriate principles for such a valuation. EIOPA has no formal role in this area.	Noted.
2.257.	United Utilities Group	Q57	Q57: Do stakeholders agree that a simplified one-size-fits-all approach for the calculation of maximum sponsor support is not possible and so the best approach is the proposed principles-based approach for including sponsor affordability? If not, please explain.	
2.258.	ZVK-Bau	Q57	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes.	Noted.
2.259.	OPSG	Q58	For the purpose of a further QIS, it would seem helpful for EIOPA to define the parameters but if the approach is ultimately adopted, the parameters should be determined by the IORP and approved by the local regulator (consistently with EIOPA prescribed principles). The OPSG has no views on the approach EIOPA should adopt for the QIS.	Noted.
2.260.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q58	<p>Assuming that the HBS would be applied to IORPs we agree to a principles-based and IORP specific approach to valuing sponsor support where specifics of the approach are set within Member States instead of an inadequate „one-size-fits-all“-approach for all types of IORPs and sponsors. Therefore EIOPA should not define parameters to use for maximum sponsor support as this should be done at Member State level and from national supervisory authorities.</p> <p>In general the attempt to precisely calculate the value of (maximum) sponsor support is still questionable as there are no “universally recognised standards” of calculating it (stated by EIOPA in the 2013 Discussion Paper on Sponsor Support) and the calculation gets (too) complex very quickly. We still think that maximum sponsor support</p>	

			could be a useful measure. However, so far (e.g. in the ASA) it has not been used sensibly. Thus an explicit quantitative calculation should not be compulsory.	Noted.
2.261.	Actuarial Association of Europe	Q58	We believe the calibration of the M parameter merits further specific technical investigation and it should be noted that this approach may miss important drivers of the IORPs exposure to sponsor credit risk.	Noted.
2.262.	AEIP	Q58	No, we believe that the specifics of the calculation of the maximum sponsor support should be left to the discretion of the member states and to IORPs in order to implement it as appropriately and as specifically as possible according to their own circumstances.	Noted.
2.263.	AGV Chemie	Q58	Given that the HBS would be applied to IORPs, we agree to a principles-based and IORP specific approach to valuing sponsor support where specifics of the approach are set within Member States instead of an inadequate „one-size-fits-all“-approach for all types of IORPs and sponsors. Therefore, EIOPA should not define parameters to use for maximum sponsor support as this should be done at Member State level and from national supervisory authorities. In general the attempt to precisely calculate the value of (maximum) sponsor support is still questionable as there are no “universally recognised standards” of calculating it (stated by EIOPA in the 2013 Discussion Paper on Sponsor Support) and the calculation gets (too) complex very quickly. We still think that maximum sponsor support could be a useful measure. However, so far, it has not been used sensibly. Thus, an explicit quantitative calculation should not be compulsory.	Noted.
2.264.	Aon Hewitt	Q58	We do not think that maximum sponsor support is needed. Maximum sponsor support, in theory, represents how much a sponsor can afford to pay over a period of many years. This requires judgement, and the	

			Alternative Simplified Approach already takes account of affordability.	Noted.
2.265.	Association of Pension Lawyers	Q58	We do not see how a further QIS (should one be necessary – a question that should not be presumed to have a positive answer) could be carried out without EIOPA specifying parameters to use to determine maximum sponsor support. Without such parameters, each approach taken would be different and so there would be no continuity amongst different approaches to the HBS.	Noted.
2.266.	BAPI	Q58	<p>Q58: In respect of a further quantitative impact assessment, would stakeholders like EIOPA to define the parameters to use for maximum sponsor support? If yes, how could EIOPA improve the approach set out in the previous QIS?</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>EIOPA should define the principles and guidance for calculation of the maximum sponsor support for different type of IORPs, including the</p>	<p>Noted as a general comment.</p> <p>Noted.</p>

			more complex situations.	
2.267.	Barnett Waddingham LLP	Q58	No, EIOPA should not set parameters for calculating sponsor support.	Noted.
2.268.	BASF SE	Q58	We completely reject further QIS'. The best approach would be not to use the HBS concept and to stop working on it.	Noted as a general comment.
2.269.	BDA	Q58	Given that the HBS would be applied to IORPs, we agree to a principles-based and IORP specific approach to valuing sponsor support where specifics of the approach are set within Member States instead of an inadequate „one-size-fits-all“-approach for all types of IORPs and sponsors. Therefore, EIOPA should not define parameters to use for maximum sponsor support as this should be done at Member State level and from national supervisory authorities. In general the attempt to precisely calculate the value of (maximum) sponsor support is still questionable as there are no “universally recognised standards” of calculating it (stated by EIOPA in the 2013 Discussion Paper on Sponsor Support) and the calculation gets (too) complex very quickly. We still think that maximum sponsor support could be a useful measure. However, so far, it has not been used sensibly. Thus, an explicit quantitative calculation should not be compulsory.	Noted.
2.270.	Compass Group PLC	Q58	Q58: In respect of a further quantitative impact assessment, would stakeholders like EIOPA to define the parameters to use for maximum sponsor support? If yes, how could EIOPA improve the approach set out in the previous QIS?	
2.271.	D & L Scott	Q58	No.	Noted.

2.272.	EAPSPI	Q58	<p>Given that the HBS would be applied to IORPs we agree to a principles-based and IORP specific approach to valuing sponsor support where specifics of the approach are set within member states instead of an inadequate “one-size-fits-all”-approach for all types of IORPs and sponsors. Therefore EIOPA should not define parameters to use for maximum sponsor support as this should be done at member state level and by national supervisory authorities.</p> <p>We agree with the procedure suggested by EIOPA in 4.199 in that sense that as a first step sponsor support should be checked with PwC’s “M” criteria for sponsor strength. If the sponsor support is strong given this criteria (e.g. M equals 2 or bigger) sponsor support qualifies as a balancing item which should release the IORP from setting up a HBS, etc. as the balancing item is able to “balance technical provisions and reduce SCR to zero” (EIOPA 4.187).</p> <p>With respect to cases where the “M” criteria is not fulfilled, EIOPA suggests that IORPs should calculate the sponsor support more precisely and make “a quantitative assessment of the maximum amount of support the sponsor is capable of affording” (meaning a more detailed assessment with respect to the values checked within the “M” approach such as market cap, shareholder funds, discounted future cash-flows or total wages; see 4.200). We think the check of the appropriateness of the assessment should be left to national competent authorities (as is likely suggested by EIOPA in 4.201 to 4.203) and should also allow for a qualitative assessment.</p> <p>But in general the attempt to precisely calculate the value of (maximum) sponsor support is still questionable as there are no</p>	
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			"universally recognised standards" for calculating it (stated by EIOPA in the 2013 Discussion Paper on Sponsor Support) and the calculation very quickly becomes (too) complex. Thus an explicit quantitative calculation should not be compulsory.	Noted
2.273.	EEF	Q58	We believe national regulators should be able to determine the most appropriate approach for that particular Member State taking into account all circumstances.	Noted.
2.274.	Eversheds LLP	Q58		
2.275.	Evonik Industries AG	Q58	Given that the HBS would be applied to IORPs, we agree to a principles-based and IORP specific approach to valuing sponsor support where specifics of the approach are set within Member States instead of an inadequate „one-size-fits-all“-approach for all types of IORPs and sponsors. Therefore, EIOPA should not define parameters to use for maximum sponsor support as this should be done at Member State level and from national supervisory authorities. In general the attempt to precisely calculate the value of (maximum) sponsor support is still questionable as there are no “universally recognised standards” of calculating it (stated by EIOPA in the 2013 Discussion Paper on Sponsor Support) and the calculation gets (too) complex very quickly. We still think that maximum sponsor support could be a useful measure. However, so far, it has not been used sensibly. Thus, an explicit quantitative calculation should not be compulsory.	Noted.

2.276.	GDV	Q58	In respect of a further quantitative impact assessment, would stakeholders like EIOPA to define the parameters to use for maximum sponsor support? If yes, how could EIOPA improve the approach set out in the previous QIS?	
2.278.	Heathrow Airport Limited	Q58	Q58: In respect of a further quantitative impact assessment, would stakeholders like EIOPA to define the parameters to use for maximum sponsor support? If yes, how could EIOPA improve the approach set out in the previous QIS?	
2.279.	Hoechst-Gruppe VVaG	Q58	<p>Assuming that the HBS would be applied to IORPs we agree to a principles-based and IORP specific approach to valuing sponsor support where specifics of the approach are set within Member States instead of an inadequate „one-size-fits-all“-approach for all types of IORPs and sponsors. Therefore EIOPA should not define parameters to use for maximum sponsor support as this should be done at Member State level and from national supervisory authorities.</p> <p>In general the attempt to precisely calculate the value of (maximum) sponsor support is still questionable as there are no “universally recognised standards” of calculating it (stated by EIOPA in the 2013 Discussion Paper on Sponsor Support) and the calculation gets (too) complex very quickly. We still think that maximum sponsor support could be a useful measure. However, so far (e.g. in the ASA) it has not been used sensibly. Thus an explicit quantitative calculation should not be compulsory.</p>	Noted.
2.280.	IFoA	Q58	No, the IFoA would prefer EIOPA to set principles and, in defining	

			parameters, EIOPA would go beyond this.	
			The IFoA has a concern that smaller IORPs may face disproportionate costs, whereas, schemes with very large sponsors may be exempt.	Noted.
2.281.	IVS	Q58	Depending on how the principles based model looks like, this appears to be reasonable.	Noted.
2.282.	Jane Marshall Consulting	Q58	No.	Noted.
2.283.	NAPF	Q58	<p>Q58: In respect of a further quantitative impact assessment, would stakeholders like EIOPA to define the parameters to use for maximum sponsor support? If yes, how could EIOPA improve the approach set out in the previous QIS?</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 would be a mistake to try to put a single numerical value on sponsor support, as this is a complex concept that requires a more rounded assessment in order to ensure trustees fully understand the extent to which they can rely on the sponsor's backing for the scheme and the risks associated with it.</p> <p>The NAPF is also concerned that the approach advocated by EIOPA runs counter to the approach in the UK, where the Government introduced in July 2014 a new statutory objective (alongside its other</p>	

			objectives) for the Pensions Regulator 'to minimise any adverse impact on the sustainable growth of an employer', recognising that the national supervisor should ensure it does not take actions which are detrimental to the health of pension scheme sponsors.	Noted.
2.286.	Otto Group	Q58	Given that the HBS would be applied to IORPs, we agree to a principles-based and IORP specific approach to valuing sponsor support where specifics of the approach are set within Member States instead of an inadequate „one-size-fits-all“-approach for all types of IORPs and sponsors. Therefore, EIOPA should not define parameters to use for maximum sponsor support as this should be done at Member State level and from national supervisory authorities. In general the attempt to precisely calculate the value of (maximum) sponsor support is still questionable as there are no “universally recognised standards” of calculating it (stated by EIOPA in the 2013 Discussion Paper on Sponsor Support) and the calculation gets (too) complex very quickly. We still think that maximum sponsor support could be a useful measure. However, so far, it has not been used sensibly. Thus, an explicit quantitative calculation should not be compulsory.	Noted.
2.287.	Pensioenfederatie	Q58	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>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 believe that the specifics of the maximum sponsor support calculation should be left to the discretion of the Member States and to IORPs in order to implement it as appropriately and as specifically as possible according to their own circumstances.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
2.288.	PensionsEurope	Q58	<p>In respect of a further quantitative impact assessment, would stakeholders like EIOPA to define the parameters to use for maximum sponsor support? If yes, how could EIOPA improve the approach set out in the previous QIS?</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, we believe that the specifics of the calculation of the maximum sponsor support should be left to the discretion of the Member States and to IORPs in order to implement it as appropriately and as specifically as possible according to their own circumstances.</p> <p>We agree with the procedure suggested by EIOPA in 4.199 in that sense that as a 1st step sponsor support should be checked (for</p>	<p>Noted as a general comment.</p>

			<p>example with a model as simple as PwC's "M" criteria) for sponsor strength. If the sponsor support is strong given this criteria sponsor support qualifies as balancing item which should exempt the IORP from setting up a HBS, etc. as the balancing item is able to "balance technical provisions and reduce SCR to zero" (4.187).</p> <p>With respect to cases where the "M" criteria is not fulfilled, EIOPA suggests IORPs to calculate more precisely the sponsor support and to make "a quantitative assessment of the maximum amount of support the sponsor is capable of affording" (meaning a more detailed assessment with respect to the values checked within the "M" approach such as market cap, shareholder funds, discounted future cash-flows or total wages; see 4.200). We think the check of the appropriateness of the assessment should be left to national competent authorities (as is likely suggested by EIOPA in 4.201 to 4.203) and should also allow for a qualitative assessment.</p> <p>But in general the attempt to precisely calculate the value of (maximum) sponsor support is still questionable as there are no "universally recognised standards" of calculating it (as stated by EIOPA in the 2013 Discussion Paper on Sponsor Support) and the calculation gets very complicated very quickly. (Maximum) sponsor support is a complex concept that requires a more rounded assessment in order to ensure the governing body of the IORP fully understand the extent to which they can rely on the sponsor's backing for the scheme and the risks associated with it. We still think that maximum sponsor support could be a useful measure; however, so far (e.g. in the ASA) it has not been used sensibly. Thus an explicit quantitative calculation should not be compulsory.</p>	Noted.
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2.291.	RPTCL	Q58	We do not believe that any parameters can meaningfully define a value for maximum sponsor support. Sponsor support derives from a range of factors, many of which are future-looking in nature and therefore uncertain. One sponsor may have a strong balance sheet but weak trading position; another strong cash-flow generation but a comparatively modest balance sheet (for example a service-related company). Both companies may benefit from some form of contingent asset or be part of a wider group with substantial inter-company balances. The variables are so broad as to render any attempt to define parameters of little value. The level of sponsor support needs to be looked at "in the round" as part of an integrated approach to funding the IORP.	Noted.
2.292.	Siemens Pensionsfonds	Q58	Given that the HBS would be applied to IORPs, we agree to a principles-based and IORP specific approach to valuing sponsor support where specifics of the approach are set within Member States instead of an inadequate „one-size-fits-all“-approach for all types of IORPs and sponsors. Therefore, EIOPA should not define parameters to use for maximum sponsor support as this should be done at Member State level and from national supervisory authorities. In general the attempt to precisely calculate the value of (maximum) sponsor support is still questionable as there are no “universally recognised standards” of calculating it (stated by EIOPA in the 2013 Discussion Paper on Sponsor Support) and the calculation gets (too) complex very quickly. We still think that maximum sponsor support could be a useful measure. However, so far, it has not been used sensibly. Thus, an explicit quantitative calculation should not be compulsory.	Noted.
2.293.	Society of Pension Professionals	Q58	In respect of a further quantitative impact assessment, would stakeholders like EIOPA to define the parameters to use for maximum	

			sponsor support? If yes, how could EIOPA improve the approach set out in the previous QIS? No.	Noted.
2.294.	Towers Watson	Q58	<p>In respect of a further quantitative impact assessment, would stakeholders like EIOPA to define the parameters to use for maximum sponsor support? If yes, how could EIOPA improve the approach set out in the previous QIS?</p> <p>We believe that further analysis will be required before a further quantitative impact assessment to identify the data required to set the parameters to achieve the objective of the HBS.</p>	Noted.
2.295.	United Utilities Group	Q58	Q58: In respect of a further quantitative impact assessment, would stakeholders like EIOPA to define the parameters to use for maximum sponsor support? If yes, how could EIOPA improve the approach set out in the previous QIS?	
2.296.	ZVK-Bau	Q58	No. This should be done by the IORP vis-à-vis the supervisor.	Noted.
2.297.	OPSG	Q59	The options presented appear sufficient for this purpose.	Noted.
2.298.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q59	Sponsor support should definitely be considered in a regulatory framework. Thus – given that the HBS should be introduced which is contrary to our position - within the HBS the balancing item approach for the valuation of sponsor support in combination with a model which is similarly simple as the PwC model (“M” approach), but which does not require calculating the HBS, but rather rely on a simpler measure (e.g. using technical provisions, market capitalization, total wages, etc.) as proxy for sponsor affordability should be part of the suggested approaches.	Noted.
2.299.	Actuarial Association of	Q59	It may appropriate to constrain the use of the M parameter approach	Noted.

	Europe		to cases where sponsor credit rating is above a certain level.	
2.300.	AEIP	Q59	<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, especially in case of multi employer IORPs and multi IORP sponsor. We would welcome more principle based guidance for these cases. For multi employer IORPs with a large number of employers historic default rates can be used.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
2.301.	Aon Hewitt	Q59	We think that this is already addressed by the affordability measures in the Alternative Simplified Approach.	
2.302.	BAPI	Q59	<p>Q59: Do stakeholders think that other options should be considered to determine a value to be used to assess overall sponsor affordability?</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</p>	

			<p>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 options as presented already give an idea of the strength of the sponsor support. Nevertheless it is important to stress that valuing maximum sponsor support can only be seen as an indicator of current affordability which can differ from the willingness and which might evolve substantially over time. To value the maximum sponsor support IORPs can only rely on publicly available information which means some important elements might be ignored (e.g. sponsor's investment plans, future mergers & acquisitions,).</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
2.303.	BASF SE	Q59	<p>We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept however sponsor support must be considered in a simple and easy to handle way (i. e. as a balancing item without further calculations).</p>	Noted.
2.304.	British Telecommunications plc	Q59	<p>Q59: Do stakeholders think that other options should be considered to determine a value to be used to assess overall sponsor affordability?</p> <p>In the UK, the assessment of sponsor support forms a key part of funding negotiations. Trustees will have access to information of various kinds to enable them to assess that support, ranging from</p>	

			<p>quantitative metrics to more qualitative assessments of the employer's future business prospects and commitment to the pension scheme. Any attempt to reduce this complex array of information to a single number is bound to produce results that are costly, spurious and misleading.</p> <p>Where relevant, each member state has developed an approach to suit their individual circumstances and this should continue.</p>	Noted.
2.305.	Compass Group PLC	Q59	Q59: Do stakeholders think that other options should be considered to determine a value to be used to assess overall sponsor affordability?	
2.306.	D & L Scott	Q59	Yes, but in the context of a «complete financial management plan» using a cash flow approach rather than a balance sheet approach.	Noted.
2.307.	Eversheds LLP	Q59		
2.308.	GDV	Q59	Do stakeholders think that other options should be considered to determine a value to be used to assess overall sponsor affordability?	
2.310.	Heathrow Airport Limited	Q59	Q59: Do stakeholders think that other options should be considered to determine a value to be used to assess overall sponsor affordability?	
2.311.	Hoechst-Gruppe VVaG	Q59	Sponsor support should definitely be considered in a regulatory framework. Thus – given that the HBS should be introduced which is contrary to our position - within the HBS the balancing item approach for the valuation of sponsor support in combination with a model which is similarly simple as the PwC model ("M" approach), but which does not require calculating the HBS, but rather rely on a simpler	

			measure (e.g. using technical provisions, market capitalization, total wages, etc.) as proxy for sponsor affordability should be part of the suggested approaches.	Noted.
2.312.	IFoA	Q59	For industry-schemes in particular, a payroll-related assessment may be the only practical approach.	Noted.
2.313.	IVS	Q59	Sponsor support should definitely be considered in a regulatory framework. Thus, within the HBS/HPF the balancing item approach for the valuation of sponsor support in combination with an approximative model such as the PwC model ("M" approach) should be part of the suggested approach. See our General Comments for an explanation of "HBS/HPF".	Noted.
2.314.	Jane Marshall Consulting	Q59	These judgements are best made by accountable managers of the IORP (trustees in the UK) working within a robust and risk based regulatory system.	Noted.
2.315.	NAPF	Q59	Q59: Do stakeholders think that other options should be considered to determine a value to be used to assess overall sponsor affordability? 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. No answer	

2.319.	Pensioenfederatie	Q59	<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, especially in case of multi employer- and -sponsor IORPs. We would welcome more principle based guidance for these cases. For multi employer IORPs with a large number of employers historic default rates can be used.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
2.320.	PensionsEurope	Q59	<p>Do stakeholders think that other options should be considered to determine a value to be used to assess overall sponsor affordability?</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, especially in case of multi employer IORPs and multi IORP sponsor. We would welcome more principle-based guidance for these</p>	<p>Noted as a general comment.</p>

			<p>cases. We believe the national control authorities are best placed to provide such guidance. Historic default rates could be used for multi employer IORPs with a large number of employers.</p> <p>Also PensionsEurope thinks the balancing item approach for the valuation of sponsor support in combination with a model which is similarly simple as the PwC's "M" approach for assessing sponsor's strength as proxy for sponsor affordability should be part of the suggested approaches.</p> <p>Nevertheless it is important to stress that valuing maximum sponsor support can only be seen as an indicator of current affordability which can differ from the willingness and which might evolve substantially over time. To value the maximum sponsor support IORPs can only rely on publicly available information which means some important elements might be ignored (e.g. sponsor's investment plans, future mergers & acquisitions etc.).</p>	Noted.
2.321.	PricewaterhouseCoopers	Q59	<p>Yes</p> <p>Sponsor affordability can be captured by a definition of maximum value of sponsor support which equates to the equity value of the sponsor.</p>	Noted.
2.324.	RPTCL	Q59	<p>We reiterate our view that affordability, alongside other aspects of sponsor support, needs to be looked at by IORPs and their sponsors "in the round" taking account of the specific circumstances of the sponsor. We do not believe that it possible to place a meaningful "value" on sponsor support in a wide number of cases.</p>	Noted.

2.325.	Society of Pension Professionals	Q59	<p>Do stakeholders think that other options should be considered to determine a value to be used to assess overall sponsor affordability?</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>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	<p>Noted as a general comment.</p> <p>Noted.</p>
2.326.	Towers Watson	Q59	<p>Do stakeholders think that other options should be considered to determine a value to be used to assess overall sponsor affordability?</p> <p>We believe that the balancing item approach is more appropriate in most circumstances. Overall sponsor affordability is difficult to precisely quantify and should be assessed more broadly against the result of the balancing item approach.</p>	<p>Noted.</p>

2.327.	United Utilities Group	Q59	Q59: Do stakeholders think that other options should be considered to determine a value to be used to assess overall sponsor affordability?	
2.328.	ZVK-Bau	Q59	Apart from the overall unfitting concept of the HBS for our scheme we consider the "M-approach" in combination with total wages for the only possible solution of the data problem of our industry wide fund that is based on collective equivalence.	Noted.
2.329.	OPSG	Q60	The options presented appear to cover a full range of possibilities. Not all of the options presented will be appropriate in all circumstances.	Noted.
2.330.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q60	Assuming the question is not confined to the UK model, we have the following general comments: It is unlikely that it is possible to specify something of general applicability / general validity which works on the level of the individual IORP. It is not necessary in cases where mandatory insolvency protection and last man standing principles apply which support employers of many IORPs.	Partially agree – EIOPA's aim is to produce approaches which are useful while acknowledged as imperfect
2.331.	Actuarial Association of Europe	Q60	All three approaches are reasonable sources of information on sponsor default probabilities. If the sponsor support valuation is intended to be market-consistent, it is necessary for either the estimated 'real-world' default probability to be transformed into a risk-neutral one, or for the discount rates used in the valuation to be risk-adjusted (i.e. to be higher than the risk-free rate).	Noted
2.332.	AEIP	Q60	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	View noted

			<p>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 support a pragmatic approach that can be used by all IORPs. Therefore we favor the approach in which the credit risk of the sponsor can be based on historical data of different types of sponsors such as the PPF assessment. The enforcement of the sponsor commitment may also depend on the reported strength of the sponsor. If historic data of the peers of this sponsor are used, the enforcement of the commitment would be easier.</p>	Noted
2.333.	Aon Hewitt	Q60	<p>Given the lack of credit ratings for many sponsors, other approaches could be to use data from external credit scoring companies. NB this may be appropriate for assessing short-term credit risk (trade credit), but not long-term credit risk.</p>	Noted
2.334.	Association of Pension Lawyers	Q60	<p>The approach taken by the UK's PPF in relation to failure scores highlights how difficult it would be to replicate this process across the EU. The PPF's approach has been constructed by analysing financial performance of UK organisations which sponsor defined benefit pension schemes. Even within the UK, the same approach could not be applied to the universe of organisations who sponsor defined contribution schemes. Added to which, there is no reason to believe that the same approach to this analysis could be applied in other member states.</p>	Noted

2.335.	BAPI	Q60	<p>Q60: Do stakeholders believe that the approaches presented cover the full range of possibilities to estimate sponsor default probabilities? If not, what specific alternative approaches would stakeholders 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>This area still seems to be understudied. The initiative taken by the UK PPF is certainly a possible approach. What has been suggested by EIOPA so far will work very well for the rated companies, for the 1-1-1 (1 sponsor, 1 pension scheme, 1 IORP) situations but might be less evident for more complex situations.</p>	<p>View noted</p> <p>Noted</p>
2.336.	Barnett Waddingham LLP	Q60	<p>Notwithstanding that our preference is for sponsor support to be used as a balancing item in the EIOPA's suggested approaches to the calculation of sponsor support do not appear to recognise the complete array of different sponsoring entities that exist in the UK (in particular, there are many that are not required to produce statutory accounts as such).</p>	Noted

2.337.	Better Finance	Q60	For the time being, yes.	Noted
2.338.	Compass Group PLC	Q60	Q60: Do stakeholders believe that the approaches presented cover the full range of possibilities to estimate sponsor default probabilities? If not, what specific alternative approaches would stakeholders suggest?	
2.339.	D & L Scott	Q60	<p>No. The United Kingdom Pension Protection Fund is conflicted in that its objective is to minimise calls and to maximise private sector contributions by sponsors and active members. EIOPA may wish to consider criticism of both the former Dun & Bradstreet and the current Experian (ASA ?) approaches from IORPs paying levies to the protection scheme.</p> <p>The analysis from Germany and Sweden should also be published.</p>	<p>Noted</p> <p>View noted</p>
2.340.	EEF	Q60	<p>The UK has undertaken a major exercise in relation to the Pension Protection Fund to develop a pensions-specific model for estimating sponsor default risk.</p> <p>Much can be learned from the UK's experience in this regard. Also, transition to the new system is a complex exercise in itself and we would not support the development of yet another approach to determine the risk of sponsor default.</p> <p>We would support an approach that permits Member States to use 'fit for purpose' systems that are already in place.</p>	View noted
2.341.	Eversheds LLP	Q60	Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop	View noted

			<p>its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>The options presented do appear to cover the full range of possibilities for estimating sponsor default probabilities.</p> <p>As the consultation notes, the UK's Pension Protection Fund has recently concluded an extensive exercise to develop a pensions-specific model for estimating sponsor default risk, with Experian providing the data underpinning the new system. It is widely agreed that the new system provides a closer link between the risks posed to the PPF by each scheme and the levy it pays.</p> <p>Eversheds would not want to see a further new method of estimating sponsor default risk developed alongside the new PPF system, and recommends that Member States are allowed to use existing systems where they already exist.</p>	<p>Noted</p> <p>View noted</p>
2.342.	FSUG	Q60	For the time being, yes.	Noted
2.343.	GDV	Q60	<p>Do stakeholders believe that the approaches presented cover the full range of possibilities to estimate sponsor default probabilities? If not, what specific alternative approaches would stakeholders suggest?</p> <p>An alternative approach would be the use of statistics, clustering, sector-specific data or any other standardised default data instead of individual default probabilities, so that there is no need for isolated</p>	Noted

			assessment of each employer.	
2.345.	Heathrow Airport Limited	Q60	Q60: Do stakeholders believe that the approaches presented cover the full range of possibilities to estimate sponsor default probabilities? If not, what specific alternative approaches would stakeholders suggest?	
2.346.	Hoechst-Gruppe VVaG	Q60	<p>Assuming the question is not confined to the UK model, we have the following general comments:</p> <p>It is unlikely that it is possible to specify something of general applicability / general validity which works on the level of the individual IORP. It is not necessary in cases where mandatory insolvency protection and last man standing principles apply which support employers of many IORPs.</p>	Partially agree – EIOPA's aim is to produce approaches which are useful while acknowledged as imperfect
2.347.	IFoA	Q60	The IFoA has no other suggestions at this stage.	Noted
2.348.	IVS	Q60	We consider that there are other approaches too, but those outlined appear to provide a reasonable starting point.	Noted
2.349.	Jane Marshall Consulting	Q60	These judgements are best made by accountable managers of the IORP (trustees in the UK) working within a robust and risk based regulatory system	View noted
2.350.	NAPF	Q60	Q60: Do stakeholders believe that the approaches presented cover the full range of possibilities to estimate sponsor default probabilities? If not, what specific alternative approaches would stakeholders 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>	View noted
			<p>The options presented do appear to cover the full range of possibilities for estimating sponsor default probabilities.</p>	Noted
			<p>As the consultation notes, the UK's Pension Protection Fund has recently concluded an extensive exercise to develop a pensions-specific model for estimating sponsor default risk, with Experian providing the data underpinning the new system. It is widely agreed that the new system provides a closer link between the risks posed to the PPF by each scheme and the levy it pays.</p>	
			<p>The NAPF would not want to see a further new method of estimating sponsor default risk implemented in the UK in addition to the new PPF system, and recommends that Member States are allowed to use existing systems where they are proven to be effective.</p>	View noted
			<p>EIOPA should note that the NAPF is not recommending that the PPF system should be used across the EU, as it was developed solely to fit the requirements of the UK pensions system and – specifically – the universe of schemes covered by the PPF. The key point is that EIOPA should allow Member States to use methods for assessing sponsor default probability that match their national circumstances.</p>	Noted

2.353.	Pensioenfederatie	Q60	<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 a pragmatic approach that can be used by all IORPs. Therefore we favour the approach in which the sponsor credit risk can be based on historical data of different types of sponsors such as the PPF assessment. The enforcement of the sponsor commitment may also depend on the reported sponsor strength . If historic data of the peers of this sponsor are used, the enforcement of the commitment would be easier.</p>	<p>View noted</p> <p>View noted</p> <p>Noted</p>
2.354.	Pension Protection Fund	Q60	<p>The PPF-specific model used to assess sponsor insolvency probabilities has been developed to determine the risk-based levy IORPs should pay for the protection provided by the PPF. In particular, it is used to divide the total levy required each year between all of the IORPs covered. Hence, it has been developed to assess the likelihood of the employer failing over a one-year period rather than being developed with valuation of employer support in mind. It is also important to note that the PPF-specific model is an evidence based, statistically driven model for scoring over 10,000 employers. As such, it cannot provide a bespoke assessment that may be necessary to reflect the unique position of individual entities. As such, we do not think our</p>	Noted

			<p>model is suitable to be used for this quite different purpose.</p> <p>The PPF-specific model has also been calibrated using the specific characteristics of the UK's population of defined benefit sponsors, which may differ from those in other EU countries, as may insolvency experience. In addition, the data used in constructing scores was chosen based on what is published in the UK, and we are aware of variables that are not reported in other EU states.</p> <p>However, we would be happy to share our experiences of setting up such a model with EIOPA.</p>	<p>Noted</p> <p>Noted</p>
2.355.	PensionsEurope	Q60	<p>Do stakeholders believe that the approaches presented cover the full range of possibilities to estimate sponsor default probabilities? If not, what specific alternative approaches would stakeholders 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>The initiative taken by the UK PPF is certainly a possible approach but the approaches presented do not fit all the situations. For MES it is a concern that in practice linking default probabilities, credit ratios and sponsor strength can be a very challenging approach, since it is</p>	<p>View noted</p> <p>Noted</p>

			<p>assumed the credit ratios are dependent on the industry sector. Again, the concept is by far not elaborated enough to support industry wide or multi-employer IORPs or other complex situations.</p> <p>We support a pragmatic approach that can be used by all IORPs. Therefore we favor the approach in which the credit risk of the sponsor can be based on historical data of different types of sponsors such as the PPF assessment. The enforcement of the sponsor commitment may also depend on the reported strength of the sponsor. If historic data of the peers of this sponsor are used, the enforcement of the commitment would be easier.</p> <p>As the consultation notes, the UK's Pension Protection Fund has recently concluded an extensive exercise to develop a pensions-specific model for estimating sponsor default risk, with a company (Experian) providing the data underpinning the new system. It is widely agreed that the new system provides a closer link between the risks posed to the PPF by each scheme and the levy it pays. That is why PensionsEurope recommends that Member States are allowed to use existing systems.</p>	<p>Noted</p> <p>View noted</p>
2.358.	RPTCL	Q60	<p>We reiterate that simplistic attempts to calculate default probabilities for – for example – unquoted, non-rated enterprises are of little value. There are so many variables at play that we cannot see how any “number” can have a robust basis for all but the very weakest ($P_d = 1$) or very strongest (such as government-backed credits where $P_d = 0$).</p> <p>As an illustration of this issue, the UK's Pension Protection Fund has</p>	View noted

			built an approach to estimate sponsor default probabilities. We are aware that there are a number of aspects of that approach which do not truly reflect the position of a number of sponsors who sponsor our IORPs. Further, the purpose of the approach is to assist in the determination of levy payments – considerably different to and less significant than this exercise.	Noted
2.359.	Society of Pension Professionals	Q60	<p>Do stakeholders believe that the approaches presented cover the full range of possibilities to estimate sponsor default probabilities? If not, what specific alternative approaches would stakeholders 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> <p>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	<p>View noted</p> <p>View noted</p> <p>Noted</p>

2.360.	Towers Watson	Q60	<p>Do stakeholders believe that the approaches presented cover the full range of possibilities to estimate sponsor default probabilities? If not, what specific alternative approaches would stakeholders suggest?</p> <p>We believe the options presented are a reasonable range of approaches for estimating sponsor support probabilities.</p>	Noted
2.361.	United Utilities Group	Q60	Q60: Do stakeholders believe that the approaches presented cover the full range of possibilities to estimate sponsor default probabilities? If not, what specific alternative approaches would stakeholders suggest?	
2.362.	ZVK-Bau	Q60	We do not believe that the two approaches solve the problem of industry-wide schemes with tens of thousands of small and medium sized companies. The stakeholder feedback (4.207) provided much more useful input for solutions of that problem.	Noted
2.363.	OPSG	Q61	<p>The OPSG notes the discussion in 4.217 to 4.220 and supports the comment quoted from the response to the July 2013 consultation that “sponsor affordability, growth and investment plans should be a consideration” and that “the right balance is struck between the funding needs of the IORP and allowing the sponsor to invest and grow its business”. In the OPSG’s view, the decisive factor will always be the financial position of, and thus the economic capability of, the sponsor.</p> <p>The two possible timings suggested in 4.220 both have merit and each might be appropriate in different circumstances.</p> <p>The OPSG suggest that the appropriate time period be determined by the IORP subject to approval of the national supervisor, consistent with principles established at EU level.</p>	<p>Noted</p> <p>View noted</p> <p>View noted</p>
2.364.	aba	Q61	We think the HBS approach is unsuitable for occupational pensions	View noted

	Arbeitsgemeinschaft für betriebliche Altersve		and should therefore be omitted. Within this unfitting concept, if any calculation of additional sponsor payments has to be performed, there should be no artificial limitation of when these payments have to be made. It is not the time period that matters but only the economic strength of the sponsor. If a time period should be defined it would have to meet at least the duration of the liabilities.	Noted
2.365.	Actuarial Association of Europe	Q61	It would be preferable for the assumptions around timing of sponsor support to be as closely aligned to the expected timing of cashflows from support as is practical. Links to the recovery plan are more likely to produce meaningful results than assumptions related to the duration of liabilities. However, we recognise the need for practical methods and the duration of liabilities may be a reasonable starting point in the absence of other information.	Noted
2.366.	AEIP	Q61	We do not agree with this approach, as this paragraph considers only the current situation of underfunding as a base for the valuation of sponsor support. AEIP believes that that there should be no limitation as for the timing of the sponsor support.	Disagree – par 4.220 envisages link to liability duration
2.367.	AGV Chemie	Q61	If any calculation of additional sponsor payments has to be performed, there should be no artificial limitation of when these payments have to be made.	View noted
2.368.	Aon Hewitt	Q61	The appropriate payment period ought to be the period over which payments ought to be, or could be paid. It may be inappropriate to use a short time period if there was no expectation that sponsors could afford to pay contributions quickly. However a short time period could be appropriate in cases where contributions could be paid quickly (even if sponsors reach agreement with the IORP to pay over a longer period).	Noted

2.369.	Association of Pension Lawyers	Q61	<p>1. There is probably no single appropriate answer to this question.</p> <p>2. In some instances, an IORP may be targeting the transfer of its liabilities to an insurance company over a relatively short time horizon. In that instance, the time period over which to consider payments from sponsors should, arguably, reflect the time period within which the proposed transfer is being targeted.</p> <p>3. In other instances, there may either be no plans to transfer liabilities to an insurance company or this may simply not be feasible (perhaps because of the magnitude of the IORP's liabilities). In this situation, should the time period over which to consider payments from sponsors should, arguably, be the remaining lifetime of the IORP. While an approach which does not recognise the potential for the sponsor to fail seems flawed, an approach which seeks to recognise such potential could only look at short-term indicators if it is to be at meaningful (the further into the future one is trying to predict, the less accurate that prediction is likely to be).</p> <p>4. Perhaps a simplistic approach could be implemented whereby the likelihood of the sponsor failing over the next twelve months is assessed and that assessment is then applied to the remaining expected lifetime of the IORP.</p>	<p>View noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p>
2.370.	BAPI	Q61	<p>Q61: What in the stakeholders' view is the appropriate time period on which to consider possible payments from sponsors for the calculation of sponsor support? Please explain.</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</p>	<p>View noted</p>

			<p>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>Linking the time period to a recovery plan would mean that you require additional sponsor support in stressed periods. From this perspective it would be better to link the value of the sponsor support to the duration of the liabilities.</p>	Noted
2.371.	BASF SE	Q61	We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept if any calculation of additional sponsor payments have to be performed, there should be no artificial limitation of when these payments have to be made.	View noted
2.372.	BDA	Q61	If any calculation of additional sponsor payments has to be performed, there should be no artificial limitation of when these payments have to be made.	View noted
2.373.	Compass Group PLC	Q61	Q61: What in the stakeholders' view is the appropriate time period on which to consider possible payments from sponsors for the calculation of sponsor support? Please explain.	
2.374.	D & L Scott	Q61	In my experience of «complete financial management plans» while we may forecast liability cash flows over the whole life of the IORP	Noted

			(typically over 80 years or more), it is unrealistic to forecast investment cash flows over periods longer than 10 to 20 years. I tend to a similar view on sponsor covenant estimates, when the rating agencies typically model default rates only for periods up to 15 years. Because of ongoing monitoring (covenant and investment outturns can be monitored as frequently as trustees and other fiduciaries meet), it is practical to use these shorter time horizons. Contribution levels in the United Kingdom are typically re-set at least every 3 years with annual actuarial reporting during the interim years.	
2.375.	EEF	Q61	<p>The UK has been through an extensive period of engagement on this critical question which balances the need to fund the IORP but not at such a pace that it threatens the viability of the sponsoring employer.</p> <p>What is an appropriate recovery period should not be considered in isolation. In the UK, the relationship between the strength of sponsor support, the length of the recovery periods and the inputs into the technical provisions is of central concern and should be considered as a coherent whole.</p> <p>Also, we support a Member-State level approach, that is scheme specific, under the auspices of the national regulator taking into account the specific circumstances prevailing in that particular Member State.</p>	<p>View noted</p> <p>View noted</p> <p>View noted</p>
2.376.	Eversheds LLP	Q61	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.	View noted

			<p>Eversheds is surprised by the very simplistic nature of the paper's discussion of the timing of sponsor support. This is a complex topic that warrants far more detailed consideration.</p> <p>That said, we think that the appropriate time period over which to consider possible payments from sponsors needs to be a long period to reflect the long-term nature of pension promises.</p>	<p>View noted</p> <p>Noted</p>
2.377.	Evonik Industries AG	Q61	If any calculation of additional sponsor payments has to be performed, there should be no artificial limitation of when these payments have to be made.	View noted
2.378.	FFSA	Q61	The appropriate period could be defined and amended by the supervisor based on the IORP profile and conditions, it could be for example the minimum between length of the recovery plan and duration of liabilities.	Noted
2.379.	GDV	Q61	<p>What in stakeholders views is the appropriate time period on which to consider possible payments from sponsors for the calculation of sponsor support? Please explain.</p> <p>The liability duration could be an adequate approximation due to long term nature of liabilities.</p>	Noted
2.381.	Heathrow Airport Limited	Q61	Q61: What in the stakeholders' view is the appropriate time period on which to consider possible payments from sponsors for the calculation of sponsor support? Please explain.	
2.382.	Hoechst-Gruppe VVaG	Q61	We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept, if any	View noted

			calculation of additional sponsor payments has to be performed, there should be no artificial limitation of when these payments have to be made. It is not the time period that matters but only the economic strength of the sponsor. If a time period should be defined it would have to meet at least the duration of the liabilities.	Noted
2.383.	IFoA	Q61	The IFoA considers that national supervisors should give guidance on recovery periods.	View noted
2.384.	IVS	Q61	It is not the time period that primarily matters but rather the economic strength of the sponsor. If a time period should be defined it should be a function of the duration of the liabilities.	Noted
2.385.	Jane Marshall Consulting	Q61	This proposal is too prescriptive. Trustee boards are best able to make these judgements within robust domestic regulation.	View noted
2.386.	NAPF	Q61	<p>Q61: What in the stakeholders' view is the appropriate time period on which to consider possible payments from sponsors for the calculation of sponsor support? Please explain.</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 is surprised by the very simplistic nature of the paper's discussion of the timing of sponsor support. This is a complex topic that warrants far more detailed consideration.</p>	<p>View noted</p> <p>View noted</p>

2.389.	Otto Group	Q61	If any calculation of additional sponsor payments has to be performed, there should be no artificial limitation of when these payments have to be made.	View noted
2.391.	Pensioenfederatie	Q61	<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 do not agree with this approach, as this paragraph only considers the current situation of underfunding as a basis for the sponsor support valuation. To be in line with the overarching principle of market consistent valuation, also possible future underfunding should be considered. In our opinion the timing of the sponsor support cash flow is covered by the principle of market consistent valuation.</p>	<p>View noted</p> <p>Noted</p>
2.392.	PensionsEurope	Q61	<p>What in stakeholders views is the appropriate time period on which to consider possible payments from sponsors for the calculation of sponsor support? 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</p>	View 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>PensionsEurope does not agree with this approach, as this paragraph considers only the current situation of underfunding as a base for the valuation of sponsor support. To be in line with the overarching principle of market consistent valuation, also possible future underfunding should be considered. In our opinion the timing of the sponsor support cash flow is covered by the principle of market consistent valuation and there should be no artificial limitation of when these payments have to be made.</p> <p>PensionsEurope considers this is a complex topic that warrants far more detailed consideration.</p>	View noted
2.395.	RPTCL	Q61	<p>The appropriate time will vary massively from sponsor to sponsor: one judgement that is needed, for example, is the extent to which it is beneficial for the sponsor – and thereby the IORP – to invest in the sponsor’s business (which may be ultimately beneficial to the IORP). Another issue – relevant for the RPS – is the “shared cost” nature of contributions. These are but two of a range of variables which in our view mean that the “ appropriate time” should be left to the judgement of the sponsor/IORP with oversight from the national regulatory authority.</p>	View noted
2.396.	Siemens Pensionsfonds	Q61	<p>If any calculation of additional sponsor payments has to be performed, there should be no artificial limitation of when these payments have to be made.</p>	View noted

2.397.	Society of Pension Professionals	Q61	<p>What in stakeholders views is the appropriate time period on which to consider possible payments from sponsors for the calculation of sponsor support? 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> <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>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	<p>View noted</p> <p>View noted</p> <p>Noted</p>
2.398.	Towers Watson	Q61	<p>What in stakeholders views is the appropriate time period on which to consider possible payments from sponsors for the calculation of sponsor support? Please explain.</p> <p>We believe that this should vary according to national regime and sponsor approach. For some sponsors, short recovery periods may not</p>	View noted

			be possible, whereas long recovery periods can provide better outcomes for the IORP than immediate sponsor default.	
2.399.	United Utilities Group	Q61	Q61: What in the stakeholders' view is the appropriate time period on which to consider possible payments from sponsors for the calculation of sponsor support? Please explain.	
2.400.	ZVK-Bau	Q61	Apart from the overall unfitting concept of the HBS for our scheme we consider linking the timing of sponsor support to the length of the recovery plan seems to be a workable compromise providing that this length encompasses at least the duration of the liabilities.	Noted
2.401.	OPSG	Q62	<p>The suggested approach is a first attempt to deal with a particularly complex issue. In practice companies may sponsor multiple IORPs including IORPs with multiple sponsors and with implicit or explicit guarantees. As an example, German corporations often sponsor multiple types of IORPS available under German SLL, some of them multi-employer. In case of multinationals the same German corporations may assume all risks of a UK pension scheme via an unlimited guarantee.</p> <p>The suggested approach tends to favour the ASA method as the simplest one. However, already this method creates challenge of apportionment of maximum sponsor support. Each of the proposed parameters of apportionment has its advantages and disadvantages. Nevertheless, to account for very diverse cases as many options as possible should be available. This however creates a regulatory arbitrage as IORPs will likely select an option that produces the most favourable result.</p>	<p>Noted</p> <p>Noted</p>
2.402.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q62	We are concerned that the approach would not work well for more complex IORP structures, e.g. multi-employer schemes, where one IORP has many sponsors or cases where one sponsor has several IORPs.	Multi-employer schemes considered under Q64

2.403.	Actuarial Association of Europe	Q62	This is a reasonable approach.	Noted
2.404.	AEIP	Q62	<p>Unfortunately the consultation paper does not provide any convincing methods to handle these multi-situations.</p> <p>Under the assumption that the investment behaviour of the IORPs within the multi IORP sponsor is almost the same, the situation of underfunding for these IORPs is highly correlated. Therefore the apportioning of the maximum sponsor seems to be appropriate. On the other hand there are cases where sponsors chose to use different IORPs due to their different investment possibilities (e.g. Pensionskassen vs. Pensionfonds in Germany). In these cases the IORPs are correlated.</p> <p>This paragraph only addresses the implications of the multi IORP sponsor in case of the application of simplified methods. We would welcome more principle based guidance for the stochastic modelling approach to be prepared for cases in which MS decide to allow for stochastic modelling.</p>	<p>View noted</p> <p>Noted</p> <p>Noted</p>
2.405.	Aon Hewitt	Q62	We don't think it is appropriate to calculate maximum sponsor support. Our preference would be to see a calculation of sponsor support that takes account of affordability.	Noted
2.406.	Association of Pension Lawyers	Q62	An aggregated approach would appear to be feasible, provided it was based on the funding position of the sponsor's IORPs.	Noted
2.407.	BAPI	Q62	<p>Q62: Please provide your views on this suggested approach.</p> <p>BAPI states there is no need for the HBS to set funding and capital</p>	View 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>The weakness of this approach is the fact that an IORP has no view on other sponsor's engagements: credits, leases, other IORPs, funding position in other IORPs, etc....</p>	Noted
2.408.	BASF SE	Q62	We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept we do not believe that the given approach is elaborated sufficiently and we do not believe that its shortcomings can be overcome for all types of IORPs in the EU.	View noted
2.409.	Compass Group PLC	Q62	Q62: Please provide your views on this suggested approach.	
2.410.	D & L Scott	Q62	I am in broad agreement.	Noted
2.411.	EEF	Q62	See our response to Q62.	Noted

2.412.	Eversheds LLP	Q62	<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>A scheme-specific approach is needed to take account of the wide variety of complex corporate structures.</p> <p>The consultation paper posits the idea of apportioning the value of maximum sponsor support across the relevant IORPs. It is not clear how this would be done in today's complex corporate environment. For example, in one major UK plc, the most 'senior' company within the group does not itself sponsor any IORPs at all. Would it really be appropriate to apportion any of its strength across IORPs that it does not sponsor?</p>	<p>View noted</p> <p>Noted</p> <p>Noted</p>
2.413.	GDV	Q62	<p>Please provide your views on this suggested approach.</p> <p>This approach sounds good in theory. However, in reality it is impossible to implement for sponsors with many IORPs.</p>	View noted
2.415.	Heathrow Airport Limited	Q62	Q62: Please provide your views on this suggested approach.	
2.416.	Hoechst-Gruppe VVaG	Q62	We are concerned that the approach would not work well for more complex IORP structures, e.g. multi-employer schemes, where one IORP has many sponsors or cases where one sponsor has several IORPs.	Multi-employer schemes considered under Q64

2.417.	IFoA	Q62	The IFoA considers that national supervisors should give guidance on the approach to be used. Prescribing a single approach could lead to sub-optimal decision making.	View noted
2.418.	IVS	Q62	The approach described appears reasonable but may be difficult to implement in practice.	Noted
2.419.	NAPF	Q62	<p>Q62: Please provide your views on this suggested approach.</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>A scheme-specific approach is needed to take account of the wide variety of complex corporate structures.</p> <p>The consultation paper posits the idea of apportioning the value of maximum sponsor support across the relevant IORPs. It is not clear how this would be done in today's complex corporate environment. For example, in one major UK plc, the most 'senior' company within the group does not itself sponsor any IORPs at all. Would it really be appropriate to apportion any of its strength across IORPs that it does not sponsor ?</p>	<p>View noted</p> <p>Noted</p> <p>Noted</p>

2.423.	Pensioenfederatie	Q62	<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>Assuming that the investment behaviour of the IORPs within the multi sponsor IORP is almost the same, the situation of underfunding for these IORPs is highly correlated. Therefore apportioning of the maximum sponsor support seems to be appropriate. This paragraph only addresses the implications of the multi sponsor IORP in case of the application of simplified methods. We would welcome more principle based guidance for the stochastic modelling approach.</p>	<p>View noted</p> <p>Noted</p>
2.424.	PensionsEurope	Q62	<p>Please provide your views on this suggested approach.</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>View noted</p>

			<p>Under the assumption that the investment behaviour of the IORPs within the multi IORP sponsor is almost the same, the situation of underfunding for these IORPs is highly correlated. In that case the apportioning of the maximum sponsor across the relevant IORPs seems to be appropriate. However, it is not clear how this would be done in today's complex corporate environment: For example, in the case of a more complex structure (such as Public Limited Company in the UK), the most 'senior' company within the group does not itself sponsor any IORPs at all. Therefore it would not really be appropriate to apportion any of its strength across IORPs that it does not sponsor.</p> <p>PensionsEurope notes that the weakness of this approach lays in the fact that an IORP has no view on other sponsor's engagements: credits, leases, other IORPs, funding position in other IORPs, etc.</p> <p>Therefore we deem a scheme-specific approach is needed to take account of the wide variety of complex corporate structures.</p> <p>Finally, this paragraph only addresses the implications of the multi IORP sponsor in case of the application of simplified methods. We would welcome more principle based guidance for the stochastic modelling approach.</p>	<p>Noted</p> <p>Noted</p> <p>Noted</p> <p>View noted</p>
2.427.	RPTCL	Q62	<p>Apportionment across IORPs will very often be overly-simplistic given the different sub-groups of sponsoring employers that sponsor different IORPs within a group. They will also have different benefit structures, funding positions, maturities and investment strategies. Further, some may benefit from intra-group support or contingent</p>	Noted

			assets whereas others may not. An additional complexity would be shared cost schemes and balance of cost schemes sponsored by the same company. A practical issue is that there would need to be full transparency and disclosure between all the IORPs of a sponsoring employer, which rarely exists. The situation needs to be looked at “in the round” and judgement applied to the specific circumstances of the sponsor/IORPs.	
2.428.	Society of Pension Professionals	Q62	<p>Please provide your views on this suggested approach.</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>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	<p>View noted</p> <p>View noted</p> <p>Noted</p>

2.429.	Towers Watson	Q62	Please provide your views on this suggested approach. The suggested approach is reasonable, but this method should also include the flexibility to allow for more complex scenarios than can be allowed for by simple apportionment. The approach should be principles based.	Noted
			There could be difficulties with this method where the funding position of the various IORPs differs and the willingness of the sponsor to fund some of the IORPs over others varies.	Noted
2.430.	United Utilities Group	Q62	Q62: Please provide your views on this suggested approach.	
2.431.	USS Limited	Q62	The analysis provided in the consultation document on more complex IORP structures (including employers sponsoring multiple IORPs) is extremely short on detail.	View noted
			A technical point to note is that some sponsors also contribute to government pension schemes funded on a pay as you go basis. For example, employers may sponsor an IORP and also contribute to the UK National Health Service pension scheme or Teachers Pension Scheme – as many UK universities do so.	Noted
2.432.	ZVK-Bau	Q62	As an industry-wide scheme we deal with the opposite situation. Therefore we refrain from commenting on that question.	Noted
2.433.	OPSG	Q63	No.	Noted
2.434.	100 Group of Finance Directors	Q63	Q63: Are there any other suggestions on how to deal with single sponsors with multiple IORPs?	
			The 100 Group is opposed to the idea of solvency funding for pension	View noted

			<p>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>EIOPA's proposed approach on sponsors with multiple IORPs is an attempt at a very simplistic solution to what may be a very complex and sponsor-specific situation. We would suggest that the decision of an appropriate approach is left to individual IORPs (under the scrutiny of national supervisors), who will be able to determine an approach that provides a reasonable assessment of the support being provided to individual pension schemes.</p>	View noted
2.435.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q63	No other suggestions.	Noted
2.436.	Actuarial Association of Europe	Q63	No.	Noted
2.437.	AEIP	Q63	No.	Noted
2.438.	Aon Hewitt	Q63	A principles-based approach would allow IORPS to make their own judgement on what is the most appropriate option. Such approaches are already used by UK trustees when assessing sponsor support for different UK schemes that have the same sponsor.	View noted
2.439.	BAPI	Q63	Q63: Are there any other suggestions on how to deal with single sponsors with multiple IORPs?	

			<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 suggestions are workable in the scenario that the IORPs have full access to all this information. We believe this is not always the case (e.g. multinationals, ...)</p>	<p>View noted</p> <p>Noted</p>
2.440.	BASF SE	Q63	<p>We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept the answer is No.</p>	View noted
2.441.	British Telecommunications plc	Q63	<p>Q63: Are there any other suggestions on how to deal with single sponsors with multiple IORPs?</p> <p>EIOPA's proposed approach on sponsors with multiple IORPs is an attempt at a very simplistic solution to what may be a very complex</p>	View noted

			<p>and sponsor-specific situation.</p> <p>The decision of an appropriate approach should be left to individual IORPs (under the scrutiny of national supervisors), who will be able to determine an approach that provides an appropriate assessment of the support being provided to individual pension schemes.</p>	View noted
2.442.	Compass Group PLC	Q63	<p>Q63: Are there any other suggestions on how to deal with single sponsors with multiple IORPs?</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>EIOPA's proposed approach on sponsors with multiple IORPs is an attempt at a very simplistic solution to what may be a very complex and sponsor-specific situation. We would suggest that the decision of an appropriate approach is left to individual IORPs (under the scrutiny of national supervisors), who will be able to determine an approach that provides a reasonable assessment of the support being provided to individual pension schemes.</p>	<p>View noted</p> <p>View noted</p>
2.443.	D & L Scott	Q63	<p>I presume that single sponsors have «complete financial management plans», using a cash flow approach rather than a balance sheet approach, for each of the multiple IORPs. My experience, however, suggests that many IORPs have not yet developed fully worked up</p>	Noted

			plans.	
2.444.	Eversheds LLP	Q63		
2.445.	GDV	Q63	<p>Are there any other suggestions on how to deal with single sponsors with multiple IORPs?</p> <p>Since the suggested approach is not feasible for some IOPRs, it is important that the balancing item approach applies in all appropriate cases.</p>	Noted
2.447.	Heathrow Airport Limited	Q63	<p>Q63: Are there any other suggestions on how to deal with single sponsors with multiple IORPs?</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>EIOPA's proposed approach on sponsors with multiple IORPs is an attempt at a very simplistic solution to what may be a very complex and sponsor-specific situation. We would suggest that the decision of an appropriate approach is left to individual IORPs (under the scrutiny of national supervisors), who will be able to determine an approach that provides a reasonable assessment of the support being provided to individual pension schemes.</p>	<p>View noted</p> <p>View noted</p>

2.448.	Hoechst-Gruppe VVaG	Q63	No other suggestions.	Noted
2.449.	IFoA	Q63	The IFoA considers that national supervisors should give guidance on the approach to be used. Prescribing a single approach could lead to sub-optimal decision making.	View noted
2.450.	IVS	Q63	n.a.	
2.451.	NAPF	Q63	<p>Q63: Are there any other suggestions on how to deal with single sponsors with multiple 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 answer</p>	View noted
2.454.	Pensioenfederatie	Q63	<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>View noted</p> <p>View noted</p>

			Maybe the QIS 1 simplification can be extended in such a way as to take the correlation of underfunding of various IORPs into account. We stress however that this method can only be used by IORPs that, in case of underfunding, use no other steering mechanisms than additional sponsor support.	Noted
2.455.	PensionsEurope	Q63	<p>Are there any other suggestions on how to deal with single sponsors with multiple 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>Maybe the QIS 1 simplification can be extended in such a way as to take the correlation of underfunding of various IORPs into account. We stress however that this method can only be used by IORPs that use no other security mechanisms than additional sponsor support in case of underfunding.</p>	<p>View noted</p> <p>Noted</p>
2.458.	RPTCL	Q63	Our suggestion – consistent with our suggested approach generally for sponsor support – is that the consideration of multiple IORPs with a single sponsor should be evaluated using judgement and a meaningful assessment of the sponsor's position "in the round". This is the current	View noted

			approach used in our schemes which we believe works satisfactorily.	
2.459.	Society of Pension Professionals	Q63	<p>Are there any other suggestions on how to deal with single sponsors with multiple IORPs?</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>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	<p>View noted</p> <p>View noted</p> <p>Noted</p>
2.461.	Towers Watson	Q63	<p>Are there any other suggestions on how to deal with single sponsors with multiple IORPs?</p> <p>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise. Even where a Member State</p>	View noted

			decides that in some cases it may be appropriate to value sponsor support, it can then decide on the appropriate principles for such a valuation. EIOPA has no formal role in this area.	
2.462.	United Utilities Group	Q63	<p>Q63: Are there any other suggestions on how to deal with single sponsors with multiple IORPs?</p> <p>EIOPA's proposed approach on sponsors with multiple IORPs is an attempt at a very simplistic solution to what may be a very complex and sponsor-specific situation. We would suggest that the decision of an appropriate approach is left to individual IORPs (under the scrutiny of national supervisors), who will be able to determine an approach that provides a reasonable assessment of the support being provided to individual pension schemes.</p>	View noted
2.463.	ZVK-Bau	Q63	As an industry-wide scheme we deal with the opposite situation. Therefore we refrain from commenting on that question.	Noted
2.464.	OPSG	Q64	<p>The suggested approach is unclear. First, it underestimates the complexities of IORPs with multiple sponsors. In practice there are many cases of such IORPs with sponsors of various size and profitability levels. Secondly, it is unclear from 4.229 how the total wages approach could be used in practice. How would an assessment of relative scale of the IORPs' demands and relative scale of their sponsors allow anything but a rather qualitative type of assessment? Thirdly, selecting just a sample of biggest IORPs or any other approach to arrive at a sample, especially as suggested here based on availability of data, would likely create biases and lead to results that would not be representative.</p> <p>It is unclear in 4.232 what is meant by refined assessment and which</p>	Noted

			additional measures could be delivered in practice to address the situation of insufficient sponsor support.	Noted
2.465.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q64	<p>Most of the approaches discussed within the consultation are available since the IORP-QIS of 2012. Therefore we had the opportunity to test them already. Especially in cases of industry wide IORPs assessing sponsor strength by using financial reporting proved to be impossible. Sometimes the same held true concerning the simplification of a sample of the five largest sponsors because their officially published financial reporting contained not the necessary data.</p> <p>In case of industry wide schemes that use the wage sum for calculating contributions only the total wage sum of the sponsors seemed to be an appropriate solution for assessing the sponsor support.</p> <p>Therefore we would like to bring forward a model which is similarly simple as the PwC model ("M" approach), but which does not require calculating the HBS, but rather rely on a simpler measure (e.g. using market capitalization, total wages technical provisions, etc.).</p>	<p>Noted</p> <p>Noted</p>
2.466.	Actuarial Association of Europe	Q64	The principle of considering the sponsor support provided by multiple sponsors by treating it as a single sponsor with values based on the combined values of the individual sponsors should be a reasonable, practical and prudent approach (prudent in that it essentially assumes that the individual sponsors' credit risks are perfectly correlated when this can only be the worst case for the IORP). We believe focusing on the largest sponsors that provide a required level of sufficiency of sponsor support is also a reasonable and proportionate approach to managing the complexity associated with IORPs with very large numbers of multiple sponsors.	Noted
2.467.	AEIP	Q64	The credit of the sponsors of the multi sponsor IORP cannot be assessed by averaging the credit risk of the individual sponsor. Moreover, the availability of the necessary financial data varies across	Noted

			<p>different industries. For instance, in case of an industry populated by tens of thousands SMEs, a sample made of the five largest sponsors does not provide for meaningful inputs over the strength of sponsor support for industry-wide IORPs.</p> <p>After all there is a possible solution for industry wide schemes that use the wage sum for calculating contributions by using the total wage sum of the sponsors to assess the sponsor support. Necessary future payments of the industry to the IORP to close any funding or SCR gaps should be calculated as a percentage of the total wage sum. If this percentage is reasonably small, sponsor support should be treated as balancing item. "Reasonably small" may be regarded as a M of 2 as proposed by PwC and EIOPA within the consultation document.</p>	
2.468.	Aon Hewitt	Q64	<p>The proposed approach contains principles that could work in practice. However it's likely that many IORPs will need additional guidance (especially in member states that are not used to dealing with sponsor support). Such approaches are already used by UK trustees when assessing sponsor support for IORPs with multiple sponsors.</p>	Noted
2.469.	Association of Pension Lawyers	Q64	<p>1. The suggested approach to multiple-employer IORPs seems to be based on the premise that each employer is jointly and severally responsible for supporting the IORP. While that might be the case (referred to in the UK as "last man standing" schemes), it will not necessarily be so.</p> <p>2. Where an IORP's rules require a "partial winding up" on the failure of any one sponsor and shield the other sponsors from responsible for funding the failed sponsor's liabilities under the IORP, it would not seem to be appropriate to measure sponsor support on a collective basis.</p> <p>3. It would seem that the approach to such IORPs should also depend on whether the sponsors all form part of the same corporate</p>	<p>Noted</p> <p>Noted</p> <p>Noted</p>

			<p>group or whether they are independent from each other. In some cases, where sponsors are all part of the same group, it might be reasonable to assume that none of the sponsors will fail unless they all fail.</p> <p>4. The difficulty with the sampling approach is that, depending on each IORP, most of the liabilities could be the responsibility of only a few sponsors or the liabilities could be spread evenly over a large number of sponsors. Sampling would not seem to be able to cope easily with these variations and still provide a meaningful answer.</p>	Noted
2.470.	BAPI	Q64	<p>Q64: Please provide your views on this suggested approach.</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>Making use of the total wages as indication for the relative scale of the IORP is a welcomed approach. Taking the five largest or a sample of companies within an industry wide IORP can only work if the industry is homogeneous, which is not always the case.</p>	<p>View noted</p> <p>Noted</p>

2.471.	Compass Group PLC	Q64	Q64: Please provide your views on this suggested approach.	
2.472.	D & L Scott	Q64	<p>In my experience with the United Kingdom Railways Pension Scheme, the position is more complex. The IORP is operated on the basis of shared cost, which means active members often have to contribute 40% of funding. Some sponsors – for example, train operating companies with relatively short franchise terms remaining – expect United Kingdom Government to underwrite future franchise periods.</p> <p>Some sectionalised IORPs may be sponsored on a joint and several basis (sometimes referred to as «last man standing»).</p>	Noted
2.473.	EAPSPI	Q64	<p>EAPSPI recognises that in particular the presented principle 2 (PwC's "M") for the use of the balancing item approach and the calculation of the sponsor support facilitates the valuation, especially if this needs to be done only for the suggested sample of the 5 largest sponsors. The suggested approach seems to be more appropriate than previous suggestions i.e. as applying the Alternative Simplified Approach procedure (incl. collecting the numbers for the two credit ratios, asset cover and income cover; to determine reasonable payment periods; to calculate the loss-absorbing capacity and to perform sensitivity analysis) for all the sponsors of multi-employer-schemes (suggested in EIOPA's 2013 Discussion Paper on sponsor support). Thus, we think that this approach fits if the actual value of the sample of larger sponsors exceeds the required PwC value (M times the required HBS value) and therefore the balancing item approach can be used (see also EAPSPI's suggestions for a full exemption in this case in Q39).</p> <p>But in other cases if the PwC criteria is not fulfilled (see 4.231) EIOPA's approach seems to be unclear and needs further exploration:</p>	<p>Noted</p> <p>Noted</p>

			<p>Should the IORP increase the sample of sponsors which are analysed with one of the valuation approaches (except for the balancing item approach) as long as the maximum value of the sponsor support is larger than the required HBS value? If this reading is correct this procedure seems to be still too complex particularly for multi-employer IORPs involving mostly large numbers of sponsors (especially in the public sector).</p> <p>Multi-employer IORPs by nature are not exposed to a default risk of all sponsors at the same time and it must be recognized consequently that the calculation / separation of liabilities for each employer in case of the "last man standing" arrangement of the IORP is quite complex and laborious.</p>	
2.474.	Eversheds LLP	Q64	<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>The approach suggested for the calculation of sponsor support for multi-employer IORPs might be suitable as an option for some IORPs, but for others it would be completely inappropriate.</p> <p>For example, in sectionalised schemes (i.e. where sponsors are only liable in respect of their section of the scheme) taking account of a sample of the five largest sponsors, as suggested in paragraph 4.230, would mean the strength of a particular sponsor being used to calculate support for a scheme even though there was no prospect of that sponsor actually supporting the scheme. As a result, sectionalised</p>	<p>View noted</p> <p>View noted</p> <p>Noted</p>

			<p>schemes should be treated as separate schemes when assessing the strength of sponsor support.</p> <p>Covenant assessment remains a complex matter, where assessing the sum of the parts is far from an exact science. Therefore, the best approach would be to allow a scheme-specific approach to valuing sponsor support in multiple-employer schemes. A one-size-fits-all approach would not work.</p>	View noted
2.475.	GDV	Q64	<p>Please provide your views on this suggested approach.</p> <p>For proportionality and simplification reasons it seems to be an appropriate proposal to consider only a sample of sponsors that cover a large proportion, if this is possible / if the conditions are met. However, this approach is not feasible for IORPs with many sponsors.</p>	Noted
2.477.	Heathrow Airport Limited	Q64	Q64: Please provide your views on this suggested approach.	
2.478.	Hoechst-Gruppe VVaG	Q64	<p>Most of the approaches discussed within the consultation are available since the IORP-QIS of 2012. Therefore we had the opportunity to test them already. Especially in cases of industry wide IORPs assessing sponsor strength by using financial reporting proved to be impossible. Sometimes the same held true concerning the simplification of a sample of the five largest sponsors because their officially published financial reporting contained not the necessary data.</p> <p>In case of industry wide schemes that use the wage sum for calculating contributions only the total wage sum of the sponsors seemed to be an appropriate solution for assessing the sponsor support.</p>	<p>Noted</p> <p>Noted</p>

			Therefore we would like to bring forward a model which is similarly simple as the PwC model ("M" approach), but which does not require calculating the HBS, but rather rely on a simpler measure (e.g. using market capitalization, total wages technical provisions, etc.).	Noted
2.479.	IFoA	Q64	The IFoA considers that national supervisors should give guidance on the approach to be used. Prescribing a single approach could lead to sub-optimal decision making.	View noted
2.480.	IVS	Q64	The approach described appears reasonable, but there will be situations in practice that require a more practical and balanced response. This approach is not possible for IORPs with a lot of small sponsors.	Noted
2.481.	NAPF	Q64	<p>Q64: Please provide your views on this suggested approach.</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 approach suggested for the calculation of sponsor support for multi-employer IORPs might be suitable as an option for trustees to use, but it would be completely inappropriate for some IORPs.</p> <p>In sectionalised schemes, for example, taking account of a sample of the five largest employers, as suggested in paragraph 4.230, would mean the strength of a particular employer being used to calculate support for a scheme even though there was no prospect of that</p>	<p>View noted</p> <p>View noted</p> <p>Noted</p>

			<p>employer actually supporting the scheme. At the same time, the support that could actually be provided by the relevant sponsor would be ignored.</p> <p>Covenant assessment remains a complex matter, where assessing the sum of the parts is far from an exact science. The correct policy would be to allow a scheme-specific approach to valuing sponsor support in multiple-employer schemes.</p>	View noted
2.485.	Pensioenfederatie	Q64	<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>The sponsors' credit of the multi sponsor IORP cannot be assessed by averaging the individual sponsor's credit risk. We would suggest to take the correlation between the defaults of the sponsors into account. Apart from that, in our opinion the default rate could be based on past defaults of the sponsors , if the total number of sponsors is large enough.</p>	<p>View noted</p> <p>View noted</p> <p>Noted</p>

2.486.	PensionsEurope	Q64	<p>Please provide your views on this suggested approach.</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 approach suggested for the calculation of sponsor support for multi-employer IORPs might be suitable as an option for trustees/governing body to use, but it would be completely inappropriate for some IORPs. In sectionalised schemes, for example, taking account of a sample of the five largest employers, as suggested in paragraph 4.230, would mean the strength of a particular employer being used to calculate support for a scheme even though there was no prospect of that employer actually supporting the scheme. At the same time, the support that could actually be provided by the relevant sponsor would be ignored. Covenant assessment remains a complex matter, where assessing the sum of the parts is far from an exact science. The correct policy would be to allow a scheme-specific approach to valuing sponsor support in multiple-employer schemes.</p> <p>The credit of the sponsors of the multi sponsor IORP cannot be assessed by averaging the credit risk of the individual sponsor. We would suggest to take the correlation between the defaults of the sponsors into account. Apart from that, in our opinion the default rate</p>	<p>View noted</p> <p>View noted</p> <p>View noted</p>
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			<p>could be based on the defaults of the sponsors in the past, if the total number of sponsors is large enough.</p> <p>PensionsEurope notes that most of the approaches discussed within the consultation are available since the IORP-QIS of 2012. Therefore many IORPs had the opportunity to test them already. Especially in cases of industry wide IORPs assessing sponsor strength by using financial reporting proved to be impossible. Sometimes the same held true concerning the simplification of a sample of the five largest sponsors because their officially published financial reporting contained either not the necessary data or no connection between the companies and the IORPs business.</p> <p>Finally, in case of industry wide schemes that use the wage sum for calculating contributions, only the total wage sum of the sponsors seemed to be an appropriate solution for assessing the sponsor support. Therefore we would like to bring forward a model which is similarly simple as the PwC model ("M" approach), but which does not require calculating the HBS, but rather rely on a simpler measure (e.g. using market capitalization, total wages, technical provisions, etc.).</p>	<p>Noted</p> <p>Noted</p>
2.489.	RPTCL	Q64	<p>The approach does not appear to deal with sectionalised industry-wide schemes like the Railways Pension Scheme, which has around 350,000 members and 150 sponsoring employers. In terms of the sampling type approach, this seems to multiply a number of the flaws we already perceive in the general approach to valuing sponsor support set out in the document. We believe that the sponsor support circumstances of industry-wide schemes are likely to be so idiosyncratic as to be best left for the schemes and their sponsors, with oversight from national regulatory authorities to determine.</p>	View noted

2.490.	Society of Pension Professionals	Q64	<p>Please provide your views on this suggested approach.</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>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	<p>View noted</p> <p>View noted</p> <p>Noted</p>
2.491.	Towers Watson	Q64	<p>Please provide your views on this suggested approach.</p> <p>The suitability of this approach will vary by IORP.</p>	Noted
2.492.	United Utilities Group	Q64	Q64: Please provide your views on this suggested approach.	
2.493.	USS Limited	Q64	Within the UK, the Pensions Regulator has in recent years required trustees of DB pension schemes – including multi-employer schemes - to invest time and resource in assessing the covenant of their	View noted

			sponsors. It is acknowledged that this determination of sponsor support is a complex matter and it is not appropriate or possible to try to place a single, capitalised value on the covenant. This is because covenant is nuanced (especially in the case of not for profit sponsors) and multi-dimensional. What is important is the extent of future financial support that sponsors can offer to the IORP in a range of circumstances.	
2.494.	ZVK-Bau	Q64	<p>Apart from the overall unfitting concept of the HBS for our scheme we consider only the simple PwC model ("M" approach) combined with using total wages of the sponsors to be an appropriate solution for assessing the sponsor support since we use the wage sum for calculating contributions and have no individual accounts for beneficiaries.</p> <p>All other approaches were tested during the IORP-QIS of 2012. Assessing sponsor strength by using financial reporting proved to be impossible with almost 55,000 sponsors of which 92% have less than 10 employees. The same held true concerning the simplification of a sample of the five largest sponsors because their officially published financial reporting contained not the necessary data.</p>	<p>View noted</p> <p>Noted</p>
2.495.	OPSG	Q65	No.	
2.496.	100 Group of Finance Directors	Q65	<p>Q65: Are there any other suggestions on how to deal with multiple employer IORPs?</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</p>	View noted

			<p>agreement to the overall policy.</p> <p>EIOPA's proposed approach on multiple-employer IORPs is an attempt at a very simplistic solution to what may be a very complex and scheme-specific situation. We would suggest that the decision of an appropriate approach is left to individual IORPs (under the scrutiny of national supervisors), who will be able to determine an approach that provides a reasonable assessment of the support being provided to individual pension schemes.</p>	View noted
2.497.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q65	<p>We like to discuss a case that is relevant for some German industry wide funds: Legally enforceable sponsor support is available for every employee against his/her own employer. But as a whole there is 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 a legally enforceable "last man standing principle", social partners as representatives of the sponsors act as if it was available.</p> <p>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. We regard this condition to be met if the sponsors or their representatives corresponded in 3 out of the last 4 times to the pattern. PWC also argues that additional factors should be taken into account when assessing the covenant (see Research Report on Options for assessing employer covenant and the holistic balance sheet commissioned by Institute and Faculty of Actuaries). Concerning the financial data (including wage sum) discussed above this would lead to the possibility to use industry wide indicators collected by</p>	Thank you for this example and analysis

			<p>national bureaus of statistic research in comparison to the possible amount of sponsor support needed to balance the HBS. Giving Member States the option to define rules for the recognition of different sets of indicators for sponsor strength or other national specificities could help to adjust the regulatory regime to national GAP.</p> <p>In addition with respect to the use of the balancing item approach for valuing sponsor support we suggest that multi employer schemes with a large number (definition to be discussed) of employers, legally enforceable sponsor support and joint financing should automatically qualify for applying the balancing item approach without recurring to the strength of the individual sponsor (in addition to the listing in no. 4.4 of the consultation document). The rationale for this is that MES with a sufficient number of employers and joint financing could be seen as a means of the collective pooling of default risk of individual sponsors – in analogy to the suggestions of EIOPA regarding pension protection schemes in 4.248 of the consultation paper.</p>	
2.498.	AEIP	Q65	<p>The credit of the sponsors of the multi sponsor IORP cannot be assessed by averaging the credit risk of the individual sponsor. Moreover, the availability of the necessary financial data varies across different industries. For instance, in case of an industry populated by tens of thousands SMEs, a sample made of the five largest sponsors does not provide for meaningful inputs over the strength of sponsor support for industry-wide IORPs.</p> <p>After all there is a possible solution for industry wide schemes that use the wage sum for calculating contributions by using the total wage sum of the sponsors to assess the sponsor support. Necessary future payments of the industry to the IORP to close any funding or SCR gaps should be calculated as a percentage of the total wage sum. If this percentage is reasonably small, sponsor support should be treated</p>	Noted

			<p>as balancing item. "Reasonably small" may be regarded as a M of 2 as proposed by PwC and EIOPA within the consultation document.</p> <p>AEIP would also like to hint at the special situation of industry wide funds concerning possible (legally or non-legally enforceable) "last man standing" principles. If it can be proven by former occurrences that the collective funding of the scheme has been applied in the past the simplification of collective liabilities that are subject to industry-wide financing should be possible.</p>	
2.499.	Aon Hewitt	Q65	Not at this stage. We suggest it is left for IORPs to develop an approach with national supervisors that fits with a principles-based approach.	
2.500.	Association of Pension Lawyers	Q65	Multiple employer IORPs should be categorised depending on whether or not the sponsors are all jointly and severally responsible for supporting the IORP financially.	Noted
2.501.	BAPI	Q65	<p>Q65: Are there any other suggestions on how to deal with multiple employer 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</p>	View noted

			<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>We would suggest to first assess the materiality of the IORPs funding needs by comparing those to the total wages. Only if this exceeds a certain %, we can consider the contribution needs as material and make further assessments as suggested.</p>	Noted
2.502.	British Telecommunications plc	Q65	<p>Q65: Are there any other suggestions on how to deal with multiple employer IORPs?</p> <p>EIOPA's proposed approach on multiple-employer IORPs is an attempt at a very simplistic solution to what may be a very complex and scheme-specific situation. The decision of an appropriate approach should be left to individual IORPs (under the scrutiny of national supervisors), who will be able to determine an approach that provides an appropriate assessment of the support being provided to individual pension schemes.</p>	View noted
2.503.	Compass Group PLC	Q65	<p>Q65: Are there any other suggestions on how to deal with multiple employer IORPs?</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</p>	View noted

			<p>agreement to the overall policy.</p> <p>EIOPA's proposed approach on multiple-employer IORPs is an attempt at a very simplistic solution to what may be a very complex and scheme-specific situation. We would suggest that the decision of an appropriate approach is left to individual IORPs (under the scrutiny of national supervisors), who will be able to determine an approach that provides a reasonable assessment of the support being provided to individual pension schemes.</p>	View noted
2.504.	D & L Scott	Q65	EIOPA may wish to take further evidence from regulators in Member States.	Noted
2.505.	EAPSPI	Q65	With respect to the use of the balancing item approach for valuing sponsor support EAPSPI suggests that multi-employer schemes with large number of employers, legally enforceable sponsor support and joint financing should automatically qualify for applying the balancing item approach without referring to the strength of the individual sponsor (in addition to the listing in no. 4.4 of the consultation document). The rationale for this is that MES with sufficient number of employers and joint financing could be seen as a means of collective pooling of default risk of individual sponsors – in analogy to the suggestions of EIOPA regarding pension protection schemes in 4.248 of the consultation paper.	Noted
2.506.	Eversheds LLP	Q65	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.	View noted

			<p>Placing a value on sponsor support for multi-employer IORPs is a complex exercise, and such schemes have developed their own prudent methods that work well for their particular circumstances. Given this background, it seems ill-advised to devise a single methodology that would be applied to all multi-employer schemes. Therefore, the best approach, in our view, would be to allow a scheme-specific approach to valuing sponsor support in multiple-employer schemes.</p>	View noted
2.507.	GDV	Q65	<p>Are there any other suggestions on how to deal with multiple employer IORPs?</p> <p>Another simplification would be to use a pre-determined value: the use of statistics, clustering, sector-specific data or any other standardised default data could be used instead of individual default probabilities, so that there is no need for isolated assessment of each employer.</p> <p>Since the suggested approach is not feasible for some IOPRs, it is important that the balancing item approach applies in all appropriate cases.</p>	<p>Noted</p> <p>Noted</p>
2.509.	Heathrow Airport Limited	Q65	<p>Q65: Are there any other suggestions on how to deal with multiple employer IORPs?</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</p>	View noted

			<p>us answering this question should not be taken as implying our agreement to the overall policy.</p> <p>EIOPA's proposed approach on multiple-employer IORPs is an attempt at a very simplistic solution to what may be a very complex and scheme-specific situation. We would suggest that the decision of an appropriate approach is left to individual IORPs (under the scrutiny of national supervisors), who will be able to determine an approach that provides a reasonable assessment of the support being provided to individual pension schemes.</p>	View noted
2.510.	Hoechst-Gruppe VVaG	Q65	<p>We like to discuss a case that is relevant for some German industry wide funds: Legally enforceable sponsor support is available for every employee against his/her own employer. But as a whole there is 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 a legally enforceable "last man standing principle", social partners as representatives of the sponsors act as if it was available.</p> <p>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. We regard this condition to be met if the sponsors or their representatives corresponded in 3 out of the last 4 times to the pattern. PWC also argues that additional factors should be taken into account when assessing the covenant (see Research Report on Options for assessing employer covenant and the holistic balance sheet commissioned by Institute and Faculty of Actuaries). Concerning the financial data (including wage sum) discussed above this would</p>	Thank you for this example and analysis

			<p>lead to the possibility to use industry wide indicators collected by national bureaus of statistic research in comparison to the possible amount of sponsor support needed to balance the HBS. Giving Member States the option to define rules for the recognition of different sets of indicators for sponsor strength or other national specificities could help to adjust the regulatory regime to national GAP.</p> <p>In addition with respect to the use of the balancing item approach for valuing sponsor support we suggest that multi employer schemes with a large number (definition to be discussed) of employers, legally enforceable sponsor support and joint financing should automatically qualify for applying the balancing item approach without recurring to the strength of the individual sponsor (in addition to the listing in no. 4.4 of the consultation document). The rationale for this is that MES with a sufficient number of employers and joint financing could be seen as a means of the collective pooling of default risk of individual sponsors – in analogy to the suggestions of EIOPA regarding pension protection schemes in 4.248 of the consultation paper.</p>	
2.511.	IFoA	Q65	The IFoA considers that national supervisors should give guidance on the approach to be used. Prescribing a single approach could lead to sub-optimal decision making.	View noted
2.512.	IVS	Q65	The issue is a difficult one. We suggest that an appropriate simplification is considered that does not go so far as to ignore sponsor support in total.	Noted
2.513.	NAPF	Q65	<p>Q65: Are there any other suggestions on how to deal with multiple employer IORPs?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is</p>	View 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>The calculation of support for multi-employer IORPs is a complex challenge, and these schemes have developed their own methods that work well for their particular circumstances.</p> <p>Given this background, it seems ill-advised to posit a single methodology that could work for all multi-employer schemes. It would be better to find a way of using pension schemes' existing valuation work.</p>	<p>Noted</p> <p>View noted</p>
2.515.	Pensioenfederatie	Q65	<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>The sponsors' credit of multi sponsor IORP cannot be assessed by averaging the the individual sponsor credit risk. We would suggest to take the correlation between the defaults of the sponsors into account.</p>	<p>View noted</p> <p>View noted</p> <p>Noted</p>

			Apart from that, in our opinion the default rate could be based on past defaults of the sponsors , if the total number of sponsors is large enough. See also Q64.	
2.516.	PensionsEurope	Q65	<p>Are there any other suggestions on how to deal with multiple employer 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>As stated in the response to Q64, the credit risk of the sponsors of the multi sponsor IORP cannot be assessed by averaging the credit risk of the individual sponsor. We would suggest to take the correlation between the defaults of the sponsors into account. Apart from that, in our opinion the default rate could be based on the defaults of the sponsors in the past, if the total number of sponsors is large enough.</p> <p>The calculation of support for multi-employer IORPs is a complex challenge, and these schemes have developed their own methods that work well for their particular circumstances. Given this background, it seems ill-advised to posit a single methodology that could work for all multi-employer schemes. It would be better to find a way of using pension schemes' existing valuation work.</p>	<p>View noted</p> <p>Noted</p>

			In addition with respect to the use of the balancing item approach for valuing sponsor support we suggest that multi employer schemes with a large number of employers, legally enforceable sponsor support and joint financing should automatically qualify for applying the balancing item approach without recurring to the strength of the individual sponsor (in addition to the listing in no. 4.4 of the consultation document). The rationale for this is that MES with a sufficient number of employers and joint financing could be seen as a means of the collective pooling of default risk of individual sponsors – in analogy to the suggestions of EIOPA regarding pension protection schemes in 4.248 of the consultation paper.	Noted
2.519.	RPTCL	Q65	We believe that the sponsor support circumstances of industry-wide schemes are likely to be so idiosyncratic as to be best left for the schemes and their sponsors, with oversight from national regulatory authorities to determine.	View noted
2.520.	Society of Pension Professionals	Q65	<p>Are there any other suggestions on how to deal with multiple employer IORPs?</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</p>	<p>View noted</p> <p>View noted</p>

			<p>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>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	Noted
2.521.	Towers Watson	Q65	<p>Are there any other suggestions on how to deal with multiple employer IORPs?</p> <p>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise. Even where a Member State decides that in some cases it may be appropriate to value sponsor support, it can then decide on the appropriate principles for such a valuation. EIOPA has no formal role in this area.</p>	<p>Noted</p> <p>View noted</p>
2.522.	United Utilities Group	Q65	<p>Q65: Are there any other suggestions on how to deal with multiple employer IORPs?</p> <p>EIOPA's proposed approach on multiple-employer IORPs is an attempt at a very simplistic solution to what may be a very complex and scheme-specific situation. We would suggest that the decision of an appropriate approach is left to individual IORPs (under the scrutiny of national supervisors), who will be able to determine an approach that provides a reasonable assessment of the support being provided to individual pension schemes.</p>	View noted
2.523.	ZVK-Bau	Q65	Apart from the overall unfitting concept of the HBS for our scheme we	View noted

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			of the individual sponsor (in addition to the listing in no. 4.4 of the consultation document). The rationale for this is that multiemployer schemes with a sufficient number of employers and joint financing could be seen as a means of the collective pooling of default risk of individual sponsors – in analogy to the suggestions of EIOPA regarding pension protection schemes in 4.248 of the consultation paper.	
2.524.	OPSG	Q66	In general, sponsors with parent guarantees could fulfil the same purpose as a regular sponsor providing sponsor support to the respective IORP in cases where all the additional requirements to qualify for sponsor support on the HBS are met. Nevertheless, the suggested approach fails to take into account the complexities of parent guarantees. The guarantees are often customized to fit the exact circumstances of a given scheme. French parent companies for example may give only limited guarantees to the UK pension schemes of their affiliates, often with various additional conditions.	Noted
2.525.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q66	The suggested approach is appropriate as it will facilitate the valuation without violating the underlying principles. Allowing parent guarantees under the same conditions and with the same effects as “standard” sponsor support is reasonable and, in addition, often a meaningful simplification.	Noted
2.526.	AEIP	Q66	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 View noted View noted

			<p>doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>We agree to take all guarantees into account when valuing the sponsor support.</p>	Noted
2.527.	Aon Hewitt	Q66	We would support this method (as it allows the strength of the guarantor to be taken into account).	Noted
2.528.	Association of Pension Lawyers	Q66	<p>If an HBS concept were to be implemented as part of a solvency-based prudential regime, it would be appropriate to take into account the provision of a guarantee to the employer, or to an IORP in respect of the obligations of the employer, when calculating the value of sponsor support. However, we question the suggestion that “If the guarantee covers the full sponsor support, replacing the sponsor with the guarantor in calculating sponsor support will probably simplify the procedure, as the guarantor is more likely to have a credit rating and more easily available data for assessing credit quality”. This is not appropriate as a default approach where the guarantee covers the full sponsor support, because:</p> <p>a) pension schemes may benefit from diversifying their risk, by being able to rely on two possible sources of support (i.e. there may be a lower credit risk / stronger employer covenant for a scheme that has recourse to multiple parties than a scheme dependent upon one party, even if the liability of each party is capped at the value of the total liabilities of the scheme); and</p> <p>b) in some circumstances the sponsor may have a stronger credit rating than its guarantor (e.g. where the rating of the two entities changes after the guarantee has been granted), and this should be recognised.</p>	Noted

2.529.	BAPI	Q66	<p>Q66: Please provide your views on this suggested approach.</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 same comment as on sponsor with multiple IORPs. The required data is not available for IORPs: the IORP will know the guarantor but does not have any view on the other commitments made by the guarantor. As such it becomes difficult to avoid multiple gearing.</p>	<p>View noted</p> <p>View noted</p>
2.530.	BASF SE	Q66	We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept the suggested approach is appropriate.	<p>View noted</p> <p>Noted</p>
2.531.	Compass Group PLC	Q66	Q66: Please provide your views on this suggested approach.	
2.532.	D & L Scott	Q66	I am in broad agreement with this and suggest some publicity is given	Noted

			to examples of such guarantees by Member State regulators to encourage more of the same.	View noted
2.533.	Eversheds LLP	Q66	<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 our view, it would be better for the value to be given to the guarantee to reflect the amount which the guarantor could be expected to pay under the guarantee if it were called upon to do so at the valuation date. This could then be aggregated with the value of the sponsor support provided by the actual sponsor. This is the approach adopted by the Pension Protection Fund in the UK in placing a value on guarantees when calculating a scheme's PPF levy.</p>	<p>View noted</p> <p>Noted</p>
2.534.	GDV	Q66	<p>Please provide your views on this suggested approach.</p> <p>The GDV believes that a broader definition of balancing item is appropriate. Since the holistic balance sheet does not solely reflect the risks borne by IORPs but rather considers the part of pension promise implemented through the IORP from the point of view of members and beneficiaries, all parties that safeguard the pension obligations should be considered. Therefore, the definition should not be restricted to sponsoring undertakings but also include all third parties that safeguard the pension promise, depending on their default rate and/or strength. Competent authorities should be empowered to decide upon the application of the balancing item in each case.</p>	Noted.
2.536.	Heathrow Airport Limited	Q66	Q66: Please provide your views on this suggested approach.	

2.537.	Hoechst-Gruppe VVaG	Q66	The suggested approach is appropriate as it will facilitate the valuation without violating the underlying principles. Allowing parent guarantees under the same conditions and with the same effects as “standard” sponsor support is reasonable and, in addition, often a meaningful simplification.	Noted
2.538.	IFoA	Q66	This seems a reasonable approach.	Noted
2.539.	IVS	Q66	The approach described appears reasonable to us.	Noted
2.540.	NAPF	Q66	<p>Q66: Please provide your views on this suggested approach.</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>	View noted
2.544.	Pensioenfederatie	Q66	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	View noted

			<p>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 to take all guarantees into account when valuing the sponsor support.</p>	<p>View noted</p> <p>Noted</p>
2.545.	PensionsEurope	Q66	<p>Please provide your views on this suggested approach.</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 to take all guarantees into account when valuing the sponsor support. The suggested approach is appropriate as it will facilitate the valuation without undermining the underlying principles. Allowing parent guarantees under the same conditions and with the same effects as “standard” sponsor support is reasonable and, in addition, often a meaningful simplification.</p> <p>However we have the same comment as on sponsor with multiple</p>	<p>View noted</p> <p>Noted</p>

			IORPs: The required data may not be available for IORPs. Indeed the IORP will probably have information about the guarantor but does not have any view on the other commitments made by the guarantor.	Noted
2.548.	RPTCL	Q66	We agree that guarantees should be taken into account in assessing sponsor support “in the round”. However, as indicated elsewhere, these need to be looked at alongside other obligations of guarantors and any value ascribed to them reflective of the specific terms of the guarantee, including payment terms and duration. Our experience is that a number of IORP guarantees are not provided by a quoted or rated parent (although some are). The consideration of guarantees would form part of an approach of considering sponsor support “in the round” and is something we consider when evaluating sponsor support for our IORPs (a significant number of Railways Pension Scheme sections benefit from guarantees).	Noted
2.549.	Society of Pension Professionals	Q66	<p>Please provide your views on this suggested approach.</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>	<p>View noted</p> <p>View noted</p>

			<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>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	Noted
2.550.	Towers Watson	Q66	<p>Please provide your views on this suggested approach.</p> <p>This approach appears reasonable in principle and should be carried through to the balancing item approach.</p>	Noted
2.551.	United Utilities Group	Q66	Q66: Please provide your views on this suggested approach.	
2.552.	ZVK-Bau	Q66	Apart from the overall unfitting concept of the HBS for our scheme we regard the approach as reasonable.	Noted
2.553.	OPSG	Q67	The suggested approach constitutes the first attempt to address complex and diverse situations of “not-for-profit” institutions. However, it is unclear which measures and how could be used for these entities. Treating them differently than “for-profit” sponsors limits the comparability between the two types of sponsors and potentially creates different levels of protection for plan members. The OPSG does not see any justification from a member/beneficiary perspective of permitting a lower standard to be applied for “not-for-profit” institutions than for other employers.	Disagree – carrying out different calculations for non-profit sponsors does not in itself affect security levels.
2.554.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q67	<p>We welcome that EIOPA still explicitly recognizes that the non-standard case of non-corporate sponsors, especially public sector entities and charities which are in addition mostly multi-employer-schemes (MES), deserve specific considerations.</p> <p>We recognise that in particular the presented principle 2 together with</p>	<p>View noted</p> <p>View noted</p>

		<p>a model which is similarly simple as the PwC model ("M" approach), which should not require calculating the HBS, but rather rely on a simpler measure (e.g. technical provisions) for the use of the balancing item approach and the calculation of the sponsor support facilitates the valuation for not-for-profit sponsors, especially if this needs to be done by using total wages as proxy and for MES only for the suggested sample of the 5 largest sponsors. The suggested approach seems to be more appropriate than previous suggestions as applying the ASA procedure (incl. collecting the numbers for the two credit ratios, asset cover and income cover; to determine reasonable payment periods; to calculate the loss absorbing capacity and to perform sensitivity analysis) for all the sponsors of multi-employer-schemes (suggested in EIOPA's 2013 Discussion Paper on SS).</p> <p>With respect to the range of (partly new) simplified valuation methods presented by EIOPA we are of the opinion that these approaches (except the balancing item approach) are still not suitable / workable for not-for-profit and public sector sponsors as all these approaches focus on financial data / metrics of corporate sponsors. EIOPA has not yet further developed solutions or amendments for quantifying the sponsor support related to not-for-profit-institutions and for public sector IORPs (see No. 4.235 to 4.237) compared to EIOPA's Sponsor Support Consultation (see No. 64 to 67 and 101 to 102 of the 2013 Discussion Paper) and EIOPA's Sponsor Support Conference in 2013 – thus these problems are still not resolved.</p> <p>Although EIOPA states (No. 4.236) that assessing the ability of the sponsor(s) to provide financial support to the IORP is in principle not different for not-for-profit sponsors compared to corporate sponsors no concrete suggestions of how to do so can be found:</p>	<p>View noted</p> <p>View noted</p>
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			<ul style="list-style-type: none"> • EIOPA still mentions with respect to charities, etc. that a relaxation with respect to the income ratio but a increased value for the asset cover / balance sheet ratio within the ASA might be suitable. But we are of the opinion that it will be rather challenging to discover a serious (data) base for the deduction of how much relaxation is appropriate (i.e. to develop an adjusted credit ratio matrix for not-for-profits). Valid data on default probabilities for not-for-profit entities seems to be lacking. If no serious deduction is possible, the procedure as a whole becomes questionable. In addition, there is doubt that financial ratios for not-for-profit entities have the same explanatory power as those of profit-oriented corporations always paying attention on their financial metrics. Therefore, the output of the simplified alternative approach for not-for-profit entities might not be comparable with the output for profit-oriented corporations. • Public sector sponsors are not mentioned anymore by EIOPA, although they were explicitly tackled in the Sponsor Support Discussion Paper of 2013 stating that the credit quality of the public sponsor may be assessed using the credit ratios analogue to the income and the asset cover ratio (see No. 67 Discussion Paper 2013). This seems to indicate that EIOPA realized that a thorough assessment of these mostly very complex financial arrangements and safeguarding mechanisms of many public sector entities is time-consuming and can hardly be handled while the approach itself is already questionable (e.g. an attempt to precisely qualify). Especially multi-employer public sector IORPs will face obstacles. For example, a German public sector IORP with municipalities as sponsors would have to assess the structure and the various dimensions of the revenue equalisations in Germany, that organises the financial distributional system between the different administrative levels: municipalities, federal states, 	
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			<p>federal level. This system involves a distinction between the primary and secondary revenue equalisation (the formal allocation of proportions from certain tax revenues vs. hardship case adjustments) as well as between the horizontal and the vertical revenue equalisation (from one municipality/state to another municipality/state vs. from the federal state to the states or from the states to the municipalities). The German system of revenue equalisation is very complex and a thorough assessment seems to be unworkable in practice.</p>	
2.555.	AEIP	Q67	<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 stress that for not-for-profit organisations it is even more complicated to assess the financial strength. We would welcome more guidance. A method such as the PPF assessment may be of use of these IORPs. In our opinion it is better to base the default rate on historic data or apply the "M" concept using the wage sum as well.</p>	<p>View noted</p> <p>View noted</p> <p>View noted</p> <p>Noted</p>
2.556.	Aon Hewitt	Q67	<p>IORPs in this sector would no doubt welcome more guidance. However, under a principles-based approach, the suggested approach</p>	Noted

			is a good starting point. We think it would be hard to develop a 'one-size-fits-all' approach that could deal with all types of not-for-profit entities across all EEA states.	
2.557.	Association of Pension Lawyers	Q67	It should be noted that not all non-profit organisations will be not "asset intensive", as suggested by paragraph 4.237. In the UK, a number of non-profit organisations, in particular older institutions (e.g. the Church of England and a number of the universities), may rely on endowments granted by their founders or in historic or recent bequests or charitable donations, which could be invested in real estate or equities.	Noted
2.558.	BAPI	Q67	<p>Q67: Please provide your views on this suggested approach.</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>It is questionable if the same mechanisms to define the probability of default ratios apply. Often these institutions are backed by other either explicit or implicit supporting mechanisms: tax support,</p>	<p>View noted</p> <p>Noted</p>

			regional/governmental guarantors, etc... How to deal with these?	
2.559.	Compass Group PLC	Q67	Q67: Please provide your views on this suggested approach.	
2.560.	D & L Scott	Q67	<p>As a supporter of a number of charities, I am quite concerned that donations made to support operations are instead diverted to fund legacy pensions arrangements. I suggest EIOPA or Member State governments or charity regulators need to do work analysis of this issue.</p> <p>In the United Kingdom, the Pensions Trust appears to operate a form of «last-man-standing» IORP for a range of charities, large and small. This IORP may be able to provide more evidence to assist EIOPA and government in its analysis.</p>	<p>View noted, but outside the remit of this consultation</p> <p>Noted</p>
2.561.	EAPSPI	Q67	<p>EAPSPI welcomes that EIOPA still explicitly recognizes that the non-standard case of non-corporate sponsors, especially public sector entities and charities which are in addition mostly multi-employer-schemes (MES), deserve specific consideration.</p> <p>We recognise that in particular the presented principle 2 (PwC's "M") for the use of the balancing item approach and the calculation of the sponsor support facilitates the valuation for not-for-profit sponsors, especially if this needs to be done by using total wages as proxy and for MES only for the suggested sample of the 5 largest sponsors. The suggested approach seems to be more appropriate than previous suggestions as applying the ASA procedure (incl. collecting the numbers for the two credit ratios, asset cover and income cover; to determine reasonable payment periods; to calculate the loss absorbing capacity and to perform sensitivity analysis) for all the sponsors of multi-employer-schemes (suggested in EIOPA's 2013 Discussion Paper</p>	<p>View noted</p> <p>View noted</p>

			<p>on sponsor support).</p> <p>With respect to the range of (partly new) simplified valuation methods presented by EIOPA, EAPSPI is of the opinion that these approaches (except the balancing item approach) are still not suitable / workable for not-for-profit and public sector sponsors as all these approaches focus on financial data / metrics of corporate sponsors. EIOPA has not yet further developed solutions or amendments for quantifying the sponsor support related to not-for-profit-institutions and for public sector IORPs (see No. 4.235 to 4.237) compared to EIOPA's Sponsor Support Consultation (see No. 64 to 67 and 101 to 102 of the 2013 Discussion Paper) and EIOPA's Sponsor Support Conference in 2013 – thus these problems are still not resolved.</p> <p>Although EIOPA states (see 4.236) that assessing the ability of the sponsor(s) to provide financial support to the IORP is in principle not different for not-for-profit sponsors compared to corporate sponsors, no specific suggestions of how to do so can be found:</p> <p><input type="checkbox"/> EIOPA still mentions with respect to charities, etc. that a relaxation with respect to the income ratio but an increased value for the asset cover / balance sheet ratio within the ASA might be suitable. But we are of the opinion that it would be rather challenging to discover a serious (data) base for the deduction of how much relaxation is appropriate (i.e. to develop an adjusted credit ratio matrix for not-for-profits). Valid data on default probabilities for not-for-profit entities seems to be lacking. If no serious deduction is possible, the procedure as a whole becomes questionable. In addition, there is some doubt that financial ratios for not-for-profit entities have the same explanatory power as those of profit-oriented corporations</p>	<p>View noted</p> <p>View noted</p>
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			<p>always paying attention to their financial metrics. Therefore, the output of the simplified alternative approach for not-for-profit entities might not be comparable with the output for “normal” profit-oriented corporations.</p> <p><input type="checkbox"/> Public sector sponsors are not mentioned any more by EIOPA, although they were explicitly tackled in the Sponsor Support Discussion Paper of 2013 stating that the credit quality of the public sponsor may be assessed using the credit ratios analogue to the income and the asset cover ratio (see No. 67, Discussion Paper 2013). This seems to indicate that EIOPA realized that a thorough assessment of these mostly very complex financial arrangements and safeguard mechanisms of many public sector entities is time-consuming and can hardly be handled while the approach itself is already questionable (e.g. an attempt to precisely qualify). Multi-employer public sector IORPs in particular will face obstacles. For example, a German public sector IORP with municipalities as sponsors would have to assess the structure and the various dimensions of the revenue equalisations in Germany that governs the financial distributional system between the different administrative levels: municipalities, regions, and federal level. This system involves a distinction between the primary and secondary revenue equalisation (the formal allocation of proportions from certain tax revenues vs. hardship case adjustments) as well as between the horizontal and the vertical revenue equalisation (from one municipality/state to another municipality/state vs. from the federal state to the states or from the states to the municipalities). The German system of revenue equalisation is very complex and a thorough assessment seems to be unworkable in practice.</p>	
2.562.	Eversheds LLP	Q67	Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop	View noted

			<p>its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>The difficulty in this area, which has been extensively explored as part of the recent consultations on reform of the Pension Protection Fund levy, is that financial data is not as readily and publicly available as it is in the corporate sector. (The three-paragraph discussion in EIOPA's consultation paper, by contrast, is disappointingly superficial.)</p> <p>In the process of developing the new PPF levy, Experian have had to devise completely new systems based on data from diverse sources such as the UK Charity Commission and Higher Education Funding Council.</p> <p>Eversheds strongly encourages EIOPA to use this existing work rather than 're-inventing the wheel'.</p>	View noted
2.563.	GDV	Q67	Please provide your views on this suggested approach.	
2.565.	Heathrow Airport Limited	Q67	Q67: Please provide your views on this suggested approach.	
2.566.	Hoechst-Gruppe VVaG	Q67	We welcome that EIOPA still explicitly recognizes that the non-standard case of non-corporate sponsors, especially public sector entities and charities which are in addition mostly multi-employer-schemes (MES), deserve specific considerations.	View noted

			<p>We recognise that in particular the presented principle 2 together with a model which is similarly simple as the PwC model ("M" approach), which should not require calculating the HBS, but rather rely on a simpler measure (e.g. technical provisions) for the use of the balancing item approach and the calculation of the sponsor support facilitates the valuation for not-for-profit sponsors, especially if this needs to be done by using total wages as proxy and for MES only for the suggested sample of the 5 largest sponsors. The suggested approach seems to be more appropriate than previous suggestions as applying the ASA procedure (incl. collecting the numbers for the two credit ratios, asset cover and income cover; to determine reasonable payment periods; to calculate the loss absorbing capacity and to perform sensitivity analysis) for all the sponsors of multi-employer-schemes (suggested in EIOPA's 2013 Discussion Paper on SS).</p>	View noted
			<p>With respect to the range of (partly new) simplified valuation methods presented by EIOPA we are of the opinion that these approaches (except the balancing item approach) are still not suitable / workable for not-for-profit and public sector sponsors as all these approaches focus on financial data / metrics of corporate sponsors. EIOPA has not yet further developed solutions or amendments for quantifying the sponsor support related to not-for-profit-institutions and for public sector IORPs (see No. 4.235 to 4.237) compared to EIOPA's Sponsor Support Consultation (see No. 64 to 67 and 101 to 102 of the 2013 Discussion Paper) and EIOPA's Sponsor Support Conference in 2013 – thus these problems are still not resolved.</p>	View noted
			<p>Although EIOPA states (No. 4.236) that assessing the ability of the sponsor(s) to provide financial support to the IORP is in principle not different for not-for-profit sponsors compared to corporate sponsors</p>	View noted

			<p>no concrete suggestions of how to do so can be found:</p> <ul style="list-style-type: none"> • EIOPA still mentions with respect to charities, etc. that a relaxation with respect to the income ratio but a increased value for the asset cover / balance sheet ratio within the ASA might be suitable. But we are of the opinion that it will be rather challenging to discover a serious (data) base for the deduction of how much relaxation is appropriate (i.e. to develop an adjusted credit ratio matrix for not-for-profits). Valid data on default probabilities for not-for-profit entities seems to be lacking. If no serious deduction is possible, the procedure as a whole becomes questionable. In addition, there is doubt that financial ratios for not-for-profit entities have the same explanatory power as those of profit-oriented corporations always paying attention on their financial metrics. Therefore, the output of the simplified alternative approach for not-for-profit entities might not be comparable with the output for profit-oriented corporations. • Public sector sponsors are not mentioned anymore by EIOPA, although they were explicitly tackled in the Sponsor Support Discussion Paper of 2013 stating that the credit quality of the public sponsor may be assessed using the credit ratios analogue to the income and the asset cover ratio (see No. 67 Discussion Paper 2013). This seems to indicate that EIOPA realized that a thorough assessment of these mostly very complex financial arrangements and safeguarding mechanisms of many public sector entities is time-consuming and can hardly be handled while the approach itself is already questionable (e.g. an attempt to precisely qualify). Especially multi-employer public sector IORPs will face obstacles. For example, a German public sector IORP with municipalities as sponsors would have to assess the structure and the various dimensions of the revenue equalisations in Germany, that organises the financial distributional system between 	
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			the different administrative levels: municipalities, federal states, federal level. This system involves a distinction between the primary and secondary revenue equalisation (the formal allocation of proportions from certain tax revenues vs. hardship case adjustments) as well as between the horizontal and the vertical revenue equalisation (from one municipality/state to another municipality/state vs. from the federal state to the states or from the states to the municipalities). The German system of revenue equalisation is very complex and a thorough assessment seems to be unworkable in practice.	
2.567.	IFoA	Q67	The simplicity of this approach is attractive but the IFoA is not certain it meets the needs of not-for-profit organisations.	Noted
2.568.	IVS	Q67	The approach described appears reasonable to us.	Noted
2.569.	NAPF	Q67	<p>Q67: Please provide your views on this suggested approach.</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 difficulty in this area, which has been extensively explored as part of the recent consultations on reform of the Pension Protection levy□ is that financial data is not as readily and publicly available as it is in the corporate sector.</p> <p>In the process of developing the new PPF levy, Experian has had to devise completely new systems based on data from diverse sources such as the Charity Commission and Higher Education Funding</p>	<p>View noted</p> <p>Noted</p>

			<p>Council.</p> <p>The NAPF strongly encourages EIOPA to use this existing work rather than 're-invent the wheel'.</p>	View noted
2.571.	Pensioenfederatie	Q67	<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 stress that for not-for-profit organisations it is even more complicated to assess the financial strength. We would therefore welcome more guidance. A method such as the PPF assessment may be of use of these IORPs. In our opinion it is better to base the default rate on historic data.</p>	<p>View noted</p> <p>View notedView noted</p> <p>Noted</p>
2.572.	PensionsEurope	Q67	<p>Please provide your views on this suggested approach.</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>	View 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>PensionsEurope welcomes that EIOPA explicitly recognises that the non-standard case of non-corporate sponsors, especially public sector entities and charities which are in addition mostly multi-employer-schemes (MES), deserve specific considerations.</p> <p>We recognise that in particular the presented principle 2 (PwC's "M") for the use of the balancing item approach and the calculation of the sponsor support facilitates the valuation for not-for-profit sponsors, especially if this needs to be done by using total wages as proxy and for MES (only for the suggested sample of the 5 largest sponsors).</p> <p>However we stress that much more research/guidance is needed to assess the financial strength of not-for-profit organisations as it an extremely complex issue. We believe the national control authorities are best placed to provide such guidance. We also note that these organisations can also benefit from "implicit" supporting mechanisms such tax support or regional/governmental support. The three-paragraph discussion in EIOPA's consultation paper, by contrast, is disappointingly superficial.</p> <p>With respect to the range of (partly new) simplified valuation methods presented by EIOPA we are of the opinion that these approaches (except the balancing item approach) are still not suitable / workable for not-for-profit and public sector sponsors as all these approaches</p>	<p>View noted</p> <p>View noted</p> <p>View noted</p> <p>View noted</p>
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		<p>focus on financial data / metrics of corporate sponsors. The difficulty in this area, (which for example has been extensively explored as part of the recent consultations on reform of the Pension Protection levy in the UK) is that financial data is not as readily and publicly available as it is in the corporate sector.</p> <p>Although EIOPA states (No. 4.236) that assessing the ability of the sponsor(s) to provide financial support to the IORP is in principle not fundamentally different for not-for-profit sponsors compared to corporate sponsors, no concrete suggestions of how to do so can be found. PensionsEurope emphasizes the following shortcomings:</p> <ul style="list-style-type: none"> • EIOPA still mentions with respect to charities etc. that a relaxation with respect of the income ratio but a increased value for the asset cover / balance sheet ratio within the ASA might be suitable. But we are of the opinion that it will be rather challenging to discover a serious (data) base for the deduction of how much relaxation is appropriate (i.e. to develop an adjusted credit ratio matrix for not-for-profits). Valid data on default probabilities for not-for-profit entities seems to be lacking. If no serious deduction is possible, the procedure as a whole becomes questionable. In addition, there is doubt that financial ratios for not-for-profit entities have the same explanatory power as those of profit-oriented corporations always paying attention on their financial metrics. Therefore, the output of the simplified alternative approach for not-for-profit entities might not be comparable with the output for "normal" profit-oriented corporations. • PensionsEurope regrets that public sector sponsors are not mentioned anymore by EIOPA, although they were explicitly tackled in the Sponsor Support Discussion Paper of 2013 stating that the credit 	<p>View noted</p> <p>Noted</p> <p>View noted</p>
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		<p>quality of the public sponsor may be assessed using the credit ratios analogue to the income and the asset cover ratio (see No. 67 Discussion Paper 2013). This seems to indicate that EIOPA realised that a thorough assessment of these mostly very complex financial arrangements and safeguarding mechanisms of many public sector entities is time-consuming and can hardly be handled while the approach itself is already questionable (e.g. an attempt to precisely qualify).</p> <p>We highlight that especially multi-employer public sector IORPs will face obstacles: For example, a German public sector IORP with municipalities as sponsors would have to assess the structure and the various dimensions of the revenue equalisations in Germany, that organises the financial distributional system between the different administrative levels: municipalities, federal states, federal level. This system involves a distinction between the primary and secondary revenue equalisation (the formal allocation of proportions from certain tax revenues vs. hardship case adjustments) as well as between the horizontal and the vertical revenue equalisation (from one municipality/state to another municipality/state vs. from the federal state to the states or from the states to the municipalities). The German system of revenue equalisation is very complex and a thorough assessment seems to be unworkable in practice.</p> <p>Therefore we think EIOPA has not yet further developed solutions or amendments for quantifying the sponsor support related to not-for-profit-institutions and for public sector IORPs compared to EIOPA's Sponsor Support Consultation (see No. 64 to 67 and 101 to 102 of the 2013 Discussion Paper) and EIOPA's Sponsor Support Conference in 2013. Thus these problems are still not resolved and that is why we consider much more research is needed on these issues.</p>	<p>View noted</p> <p>View noted</p>
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2.575.	RPTCL	Q67	<p>Extreme care needs to be taken in assessing support for not-for-profit entities : in many cases (such as some trade bodies) the most extensive support derives from contractual commitments made by member bodies to support the organisation (and an associated IORP) – and such commitments may not be visible from the body’s financial accounts. We believe that the sponsor support circumstances of not-for-profit bodies may well be so idiosyncratic as to be best left for the schemes and their sponsors, with oversight from national regulatory authorities, to determine.</p>	Noted
2.576.	Society of Pension Professionals	Q67	<p>Please provide your views on this suggested approach.</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>View noted</p> <p>View noted</p>

			Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.	Noted
2.577.	Towers Watson	Q67	Please provide your views on this suggested approach. The suitability of this approach will vary by IORP.	Noted
2.578.	United Utilities Group	Q67	Q67: Please provide your views on this suggested approach.	
2.579.	USS Limited	Q67	<p>It is not clear from the consultation that enough consideration has been given to the complexities of the not-for-profit sector and it is difficult to discern the meaning of market value (in sections 4.5 and para 4.106) within the HBS. Whilst the consultation document acknowledges some not for profit specificities (such as, 'surplus' rather than profit and other accounting concepts) and recent work undertaken by the PPF in the UK, further in-depth work is needed to address the different features of a not for profit organisation as compared to a commercial enterprise.</p> <p>For example, the income sources of not for profits (e.g. government funding, charitable donations, endowments, research grants etc) differ to commercial enterprises. Furthermore, certain not for profits have unusual characteristics that impact positively on covenant (for instance, sponsors may be long standing and in some cases in USS, are centuries old).</p>	<p>View noted</p> <p>Noted</p>
2.580.	ZVK-Bau	Q67	As an industry-wide scheme for private for-profit companies we refrain from commenting on that question.	Noted
2.581.	OPSG	Q68	No.	Noted

2.582.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q68	No.	Noted
2.583.	AEIP	Q68	<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 stress that for not-for-profit organisations it is even more complicated to assess the financial strength. We would welcome more guidance. A method such as the PPF assessment may be of use of these IORPs. In our opinion it is better to base the default rate on historic data or apply the "M" concept using the wage sum as well.</p>	<p>View noted</p> <p>View noted</p> <p>View noted</p> <p>View noted</p>
2.584.	Aon Hewitt	Q68	Not at this stage.	Noted
2.585.	Association of Pension Lawyers	Q68	<p>We have a number of observations on such organisations:</p> <p>a) If other sources of information are not available to assess the current credit rating of sponsors for non-profit organisations, there may be a greater need to rely on historic data instead (e.g. previous</p>	Noted

			<p>rates of contributions).</p> <p>b) These entities may be particularly vulnerable to certain types of regulatory reform (e.g. changes to tax status), which should be considered when assessing the value of their sponsor support.</p> <p>c) In the UK, there are limits on the cross-subsidies available to charities and the extent to which they can accumulate surplus assets. Their sources of funding will usually differ from that of private sector employers (e.g. there may be additional restrictions placed on their use of certain assets, any rights to provide contract services may be subject to review and/or legislative change, and the rate of donations made may be volatile).</p> <p>d) It may be possible for certain schemes to sell certain collections to cover funding deficits (e.g. recent sales by the Royal Geographical Society and the Royal Agricultural Society – see the following links: http://www.pensionsage.com/pa/royal-geographical-society-to-sell-3-6-of-collection-to-close-pension-deficit.php and http://www.rgs.org/NR/rdonlyres/E1FFB3CD-5313-4AB6-AB2B-E7ABC93BBAA2/0/UpdateforFellowsandmembersAugust2014.pdf).</p> <p>e) Certain charities may benefit from a “Crown guarantee” (e.g. National Museum and library of Wales) the benefit of which should be recognised in any HBS assessment.</p>	
2.586.	BAPI	Q68	<p>Q68: Are there any other suggestions on how to deal with not-for-profit entities?</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</p>	View noted

			<p>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>Further analysis is needed based on input of these specific IORPs.</p>	View noted
2.587.	Compass Group PLC	Q68	Q68: Are there any other suggestions on how to deal with not-for-profit entities?	
2.588.	D & L Scott	Q68	See Q67 above.	Noted
2.589.	Eversheds LLP	Q68		
2.590.	GDV	Q68	Are there any other suggestions on how to deal with not-for-profit entities?	
2.592.	Heathrow Airport Limited	Q68	Q68: Are there any other suggestions on how to deal with not-for-profit entities?	
2.593.	Hoechst-Gruppe VVaG	Q68	No.	Noted

2.594.	IFoA	Q68	The IFoA considers that national supervisors should give guidance on the approach to be used. Prescribing a single approach could lead to sub-optimal decision making.	View noted
2.595.	IVS	Q68	n.a.	
2.596.	NAPF	Q68	<p>Q68: Are there any other suggestions on how to deal with not-for-profit entities?</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 the UK context, non-profit institutions generally represent a low solvency risk.</p> <p>The NAPF would emphasise that the assessment of the solvency of non-profit entities is highly complex. For this reason the PPF has committed to a continuing review of the methodology developed with Experian for assessing non-profit sponsors.</p>	<p>View noted</p> <p>View noted</p> <p>View noted</p>
2.598.	Pensioenfederatie	Q68	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.	View 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>We stress that for not-for-profit organisations it is even more complicated to assess the financial strength. We would therefore welcome more guidance. A method such as the PPF assessment may be of use of these IORPs. In our opinion it is better to base the default rate on historic data. See Q67.</p>	<p>View noted</p> <p>View noted</p>
2.599.	PensionsEurope	Q68	<p>Are there any other suggestions on how to deal with not-for-profit entities?</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 think a method such as the PPF assessment may be of use for some of these IORPs. In our opinion it is better to base the default rate on historic data.</p>	<p>View noted</p> <p>View noted</p>
2.602.	RPTCL	Q68	<p>We believe that the sponsor support circumstances of not-for-profit bodies may well be so idiosyncratic as to be best left for the schemes</p>	<p>Noted</p>

			and their sponsors, with oversight from national regulatory authorities to determine.	
2.603.	Society of Pension Professionals	Q68	<p>Are there any other suggestions on how to deal with not-for-profit entities?</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>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	<p>View noted</p> <p>View noted</p> <p>View noted</p>
2.604.	Towers Watson	Q68	<p>Are there any other suggestions on how to deal with not-for-profit entities?</p> <p>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities</p>	View noted

			consider appropriate to do otherwise. Even where a Member State decides that in some cases it may be appropriate to value sponsor support, it can then decide on the appropriate principles for such a valuation. EIOPA has no formal role in this area.	
2.605.	United Utilities Group	Q68	Q68: Are there any other suggestions on how to deal with not-for-profit entities?	
2.606.	ZVK-Bau	Q68	As an industry-wide scheme for private for-profit companies we refrain from commenting on that question.	Noted
2.607.	OPSG	Q69	<p>PPS are safeguarding members and beneficiaries against a loss of entitlements and benefits in case of a default of the sponsoring undertaking, thus serve as a security mechanism and should therefore be taken into account on the HBS.</p> <p>In this context, the OPSG agrees that the issue is complex. The discussion is a first “brainstorming” attempt showing different options of addressing the issue but it raises more questions than answers. The OPSG considers that what is additionally required is a comparative analysis of fundamental differences between existing pension protection schemes in various MS.</p>	Noted.
2.608.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q69	Pension protection schemes should definitely be considered either via backing up sponsor support or directly as balancing item on the HBS. If a PPS covers 100% of benefits and is sufficiently strong (i.e. large number of sponsors joining) it should be able to cover liabilities as well as SCR due to the loss-absorbing function. Otherwise this important security mechanism for safeguarding the pension promise from beneficiaries perspective would be neglected and the aim of the European Commission (similar level of protection irrespective of the security mechanisms used) would not be met.	Noted.

2.609.	ACA	Q69	Yes	Noted.
2.610.	Actuarial Association of Europe	Q69	Yes	Noted.
2.611.	AEIP	Q69	<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 with the approach to consider the PPS as balancing item in the HBS, under the condition that the PPS guarantees (close to) 100% of the benefits. If the PPS does not guarantee full benefits, then the combination of the PPS and the necessary benefit reductions is the balancing item. The use of a balancing item approach in case of a PPS should be justified properly and in a transparent manner.</p>	Noted.
2.612.	AGV Chemie	Q69	<p>Pension protection schemes should definitely be considered either via backing up sponsor support or directly as balancing item on the HBS. If a PPS covers 100% of benefits and is sufficiently strong (i.e. large number of sponsors joining) it should be able to cover liabilities as well as SCR due to the loss-absorbing function. Otherwise, this important security mechanism for safeguarding the pension promise from</p>	Noted.

			beneficiaries' perspective would be neglected.	
2.613.	Aon Hewitt	Q69	Given that only 3 member states have significant PPS's (Germany, UK, Sweden), we think it is more appropriate for member states to determine how to allow for pension protection schemes. There is also a danger that undue reliance could then be placed on pension protection schemes, and this may not be in members' interests (especially in countries where the PPS does not guarantee 100% of all benefits).	Noted.
2.614.	Association of Pension Lawyers	Q69	<p>1. In the UK, there is currently no requirement to assess the availability of compensation from the Pension Protection Fund (PPF) under the pension scheme funding regime. Any requirement to value this support would be a new obligation, which schemes may have difficulty administering, particularly given the complexity as to how such compensation would apply to any particular scheme (depending on the value of both the total liabilities of the scheme, and the benefits to which individual members would be entitled). Accordingly, it would be a significant administrative exercise to assess the value of the PPF for their liabilities as a separate item.</p> <p>2. Credit should be given for the fact that the existence of the PPF diversifies the risks facing the pension scheme (i.e. that the existence of the PPF means that the provision of benefits from most UK schemes is not dependent solely on sponsor support).</p> <p>3. In the UK, the value of most if not all schemes' benefit liabilities will exceed the value of the compensation that would be provided by the PPF. For this reason, it will not be possible for pension protection schemes to be valued as reducing all sponsor probabilities to zero. It would be a significant exercise for schemes to determine how PPF support should be valued for their particular scheme, particularly in the case of schemes which remain open to</p>	Noted.

			<p>future accrual. Arguably the PPF itself would need to be involved in any assessment of the impact of any particular scheme entering the PPF, which would increase its costs unnecessarily (probably at the ultimate expense of UK pension schemes and their sponsors via the PPF levy).</p> <p>4. A further point to note is that IORPs which are poorly funded and where members would potentially be eligible for compensation from the Pension Protection Fund should not be placed at an advantage to well funded IORPs where members would not be eligible for compensation from the Pension Protection Fund.</p> <p>5. UK pension schemes and sponsors should not be penalised with an disproportionate, unnecessary, costly and administratively complex obligations, simply because the UK government has developed a sophisticated system for protecting a minimum level of pension scheme benefits, which would not sit comfortably with a new solvency regime (not even contemplated when the PPF was established) which will be applied primarily to jurisdictions which do not include such resources.</p>	
2.615.	BAPI	Q69	<p>Q69: Do stakeholders agree with the above comments on the options to value pension protection schemes? If not, please explain.</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</p>	Noted.

			<p>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 this is not applicable for Belgian IORPS, we have no further comment.</p>	
2.616.	Barnett Waddingham LLP	Q69	We believe that this should be determined by national regulators who will have an understanding of the appropriate background.	Noted.
2.617.	BASF SE	Q69	We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept the answer is Yes.	Noted.
2.618.	BDA	Q69	Pension protection schemes should definitely be considered either via backing up sponsor support or directly as balancing item on the HBS. If a PPS covers 100% of benefits and is sufficiently strong (i.e. large number of sponsors joining) it should be able to cover liabilities as well as SCR due to the loss-absorbing function. Otherwise, this important security mechanism for safeguarding the pension promise from beneficiaries' perspective would be neglected.	Noted.
2.619.	Compass Group PLC	Q69	Q69: Do stakeholders agree with the above comments on the options to value pension protection schemes? If not, please explain.	
2.620.	D & L Scott	Q69	The approach to considering pension protection schemes will value markedly depending on the type of IORP and sponsor. For example, legal guidance to trustees of United Kingdom IORPs is that they should	Noted.

			not consider the backstop support of the United Kingdom Pension Protection Fund in their funding approach. It would, however, appear to be appropriate to consider support from an insurance company under an arm's length commercial arrangement (a «buy in» type policy structure, for instance). I suggest the sponsor support arrangements offered by insurers and Member State protection schemes are likely to be so idiosyncratic as to be better left for the IORPs and their sponsors, with oversight from national regulators, to determine.	
2.621.	EAPSPI	Q69	In EAPSPI's opinion pension protection schemes should definitely be considered either via backing up sponsor support or directly as balancing item on the HBS. If a PPS covers 100% of benefits and is sufficiently strong (i.e. large number of sponsors joining) it should be able to cover liabilities as well as SCR due to the loss-absorbing function. Otherwise this important security mechanism for safeguarding the pension promise from a beneficiaries' perspective would be neglected and the aim of the European Commission (similar level of protection irrespective of the security mechanisms used) would not be met.	Noted.
2.622.	Eversheds LLP	Q69	<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 it is appropriate to include pension protection schemes on the holistic balance sheet on the basis that, in our view, one of the primary purposes of a solvency funding regime should be to prevent the need for IORPs to have to call upon pension protection schemes. In contrast recognising pension protection schemes on the</p>	Noted.

			<p>holistic balance sheet implies that IORPs are expected to use such schemes.</p> <p>In addition, allowing IORPs to show the protection afforded by a pension protection scheme as an asset on the holistic balance sheet could distort the true solvency position of the IORP by suggesting that the solvency position is better than it actually is. In turn this may mean that appropriate action is not taken to address the IORPs actual solvency position which may in turn, perversely, make it more likely that the relevant pension protection scheme will need to be used.</p> <p>Recognising pension protection schemes on the holistic balance sheet would also be inconsistent with UK case law.</p> <p>Having said this, if EIOPA decides that it is appropriate to show pension protection schemes in the holistic balance sheet, we think that this should be shown as a separate item, so that the value attributable to this and the value attributed to the sponsor support are clear and transparent.</p>	
2.623.	Evonik Industries AG	Q69	<p>Pension protection schemes should definitely be considered either via backing up sponsor support or directly as balancing item on the HBS. If a PPS covers 100% of benefits and is sufficiently strong (i.e. large number of sponsors joining) it should be able to cover liabilities as well as SCR due to the loss-absorbing function. Otherwise, this important security mechanism for safeguarding the pension promise from beneficiaries' perspective would be neglected.</p>	Noted.

2.624.	FFSA	Q69	Cf. Q 43 - Pension Protection Scheme (PPS) should not be considered as a balancing item as this would contradict the purpose of a pension protection scheme, which is set up as a mechanism of last resort.	Noted.
2.625.	GDV	Q69	Do stakeholders agree with the above comments on the options to value pension protection schemes? If not, please explain. The comments on the opinions to value pension protection schemes seem to be appropriate.	Noted.
2.627.	Heathrow Airport Limited	Q69	Q69: Do stakeholders agree with the above comments on the options to value pension protection schemes? If not, please explain.	
2.628.	Hoechst-Gruppe VVaG	Q69	Pension protection schemes should definitely be considered either via backing up sponsor support or directly as balancing item on the HBS. If a PPS covers 100% of benefits and is sufficiently strong (i.e. large number of sponsors joining) it should be able to cover liabilities as well as SCR due to the loss-absorbing function. Otherwise this important security mechanism for safeguarding the pension promise from beneficiaries perspective would be neglected and the aim of the European Commission (similar level of protection irrespective of the security mechanisms used) would not be met.	Noted.
2.629.	IFoA	Q69	The IFoA considers that national supervisors should give guidance on the approach to be used. Care should be taken to avoid a disproportionate amount of work in producing the calculations discussed in this section.	Noted.
2.630.	IVS	Q69	Pension protection schemes should definitely be considered as a balancing item on the HBS/HPF either directly or via backing up sponsor support.	Noted.

			See our General Comments for an explanation of “HBS/HPF”.	
2.631.	Jane Marshall Consulting	Q69	We do not agree with the rigid approach of the holistic balance sheet which requires the valuation of each part of the scheme’s assets and liabilities.	Noted.
2.632.	NAPF	Q69	<p>Q69: Do stakeholders agree with the above comments on the options to value pension protection schemes? If not, please explain.</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>At first glance, separate valuation of the pension protection scheme appears attractive, as it would boost the transparency of the Holistic Balance Sheet by marking the pension protection element as a distinct and separate component of the support for members’ benefits.</p> <p>However, putting a value on the pension protection scheme component is far from straightforward, and there is some temptation to suggest it should simply be used as a balancing item (perhaps discounted to reflect the fact that most members receive 90% compensation under the UK system).</p> <p>In any case, the first QIS showed that the ‘value’ of the PPF protection was very modest relative to the strength of sponsor support□, and it might be that attempting to calculate its value with any precision represents disproportionate effort.</p>	Noted.

2.635.	Otto Group	Q69	<p>Pension protection schemes should definitely be considered either via backing up sponsor support or directly as balancing item on the HBS. If a PPS covers 100% of benefits and is sufficiently strong (i.e. large number of sponsors joining) it should be able to cover liabilities as well as SCR due to the loss-absorbing function. Otherwise, this important security mechanism for safeguarding the pension promise from beneficiaries' perspective would be neglected.</p>	Noted.
2.636.	Pensioenfederatie	Q69	<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 ($EBS = HBS + \text{net SCR}$). 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</p>	Noted.

			<p>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>We agree with the advantages and disadvantages of the two options as described in paragraph 4.6.</p>	
2.637.	Pension Protection Fund	Q69	<p>We do agree with the comments set out in this section. We also note that the correct treatment of a pension protection scheme depends crucially on the purpose for which the holistic balance sheet is being used, as well as the nature of the pension protection scheme. For example a scheme that compensates members for losing their pension following a scheme failure is fundamentally different from a protection scheme that contributes assets to a scheme whilst it is still in existence.</p>	Noted.
2.638.	PensionsEurope	Q69	<p>Do stakeholders agree with the above comments on the options to value pension protection schemes? 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</p>	Noted.

			<p>introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We agree with the advantages and disadvantages of the two options as described in paragraph 4.6.</p> <p>At first glance, separate valuation of the pension protection scheme appears attractive, as it would boost the transparency of the Holistic Balance Sheet by marking the pension protection element as a distinct and separate component of the support for members' benefits. However, putting a value on the pension protection scheme component is far from straightforward, and there is some temptation to suggest it should be used as balancing item - perhaps discounted to reflect the percentage of compensation received by most members (for example most members receive 90% compensation under the UK PPF system).</p> <p>PensionsEurope proposes that the existence of a pension protection scheme should be treated as a balancing item of second resort. So, the first step would be to use sponsor support as a balancing item, and then to use the pension protection scheme if further collateral is needed to achieve balance.</p>	
2.639.	PSVaG	Q69	<p>PPS should definitely be considered either via backing up sponsor support or directly as balancing item on the HBS. If a PPS covers 100% of benefits and is sufficiently strong (i.e. large number of sponsors joining) it should be able to cover liabilities as well as SCR due to the loss-absorbing function. Otherwise this important security mechanism for safeguarding the pension promise from beneficiaries</p>	Noted.

			perspective would be neglected.	
2.642.	RPTCL	Q69	The approach to considering pension protection schemes will value markedly depending on the type of scheme and sponsor. In the example of the UK's Pension Protection Fund, it may be appropriate to make allowance for it but establishing how this is done might prove more difficult, as benefits are not compensated in full. However, where support is from an insurance company under an arm's length commercial arrangement (a "buy-in" type structure for example), making an allowance may be less problematic. We believe that the sponsor support arrangements offered by insurers and national protection funds are likely to be so idiosyncratic as to be best left for the schemes and their sponsors, with oversight from national regulatory authorities, to determine.	Noted.
2.643.	Siemens Pensionsfonds	Q69	Pension protection schemes should definitely be considered either via backing up sponsor support or directly as balancing item on the HBS. If a PPS covers 100% of benefits and is sufficiently strong (i.e. large number of sponsors joining) it should be able to cover liabilities as well as SCR due to the loss-absorbing function. Otherwise, this important security mechanism for safeguarding the pension promise from beneficiaries' perspective would be neglected.	Noted.
2.644.	Society of Pension Professionals	Q69	<p>Pension protection schemes</p> <p>Do stakeholders agree with the above comments on the options to value pension protection schemes? 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</p>	Noted.

			<p>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 principle we believe that it is relevant to take account of the value of pension protection schemes – because it is relevant to the overall security of the pension promise from the perspective of the member. However, how to do so is not readily apparent.</p>	
2.645.	Towers Watson	Q69	<p>Pension protection schemes</p> <p>Do stakeholders agree with the above comments on the options to value pension protection schemes? If not, please explain.</p> <p>In principle we believe that it is relevant to take account of the value of pension protection schemes – because it is relevant to the overall security of the pension promise from the perspective of the member. However, how to do so is not readily apparent.</p>	Noted.
2.646.	United Utilities Group	Q69	Q69: Do stakeholders agree with the above comments on the options to value pension protection schemes? If not, please explain.	
2.647.	ZVK-Bau	Q69	Apart from the overall unfitting concept of the HBS for our scheme we like to discuss a case that is relevant for our industry wide fund: in addition to the general pension protection scheme of Germany (PSV	Noted.

			<p>aG) industry wide funds that are based on collective equivalence might dispose of a built-in insolvency protection mechanism for sponsors. In Germany legally enforceable sponsor support is available for every employee against his/her own employer. But as a whole there is no legally enforceable "last man standing principle" available in a sense that in industry-wide funds every sponsor 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. This leads to the case that newly founded construction companies – that immediately become members/sponsors of our fund – take part in financing all existing accrued rights (liabilities). The employees of insolvent companies on the other hand maintain their accrued rights regardless of the sponsors' solvency.</p> <p>We suggest that in these cases of a practical application of "last man standing" and therefore a de-facto-PPS it should also be recognized as being at the disposition of the IORP if can be shown from historical data that the collective funding of the scheme has been applied in the past reasonably often. We regard this condition to be met if the sponsors or their representatives corresponded in 3 out of the last 4 times to the pattern. PwC also argues that additional factors should be taken into account when assessing the covenant (See Research Report on Options for assessing employer covenant and the holistic balance sheet commissioned by Institute and Faculty of Actuaries).</p>	
2.648.	OPSG	Q70	<p>The OPSG understands that the options to which this question refers are the alternative approaches of separate valuation and presentation of the PPS (4.249) and using the PPS to reduce (possibly to zero) credit default risk of the sponsor (4.250). The different PPS within the Member States operate as separate institutions or tools and should thus also be valued on the Holistic Balance Sheet as a separate asset and not by reducing the default risk of the sponsor.</p>	Noted.

			The OPSG notes the disadvantage of this approach identified by EIOPA that it would not be cost effective or worthwhile for each IORP to have to determine a value of the PPS applicable to them, and the OPSG recommends that some simplified and consistent approach be acceptable.	
2.649.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q70	We think it is important that the effect of an PPS as an balancing item is considered in the HBS, be it via modelling it indirectly as backing up sponsor support to function as balancing item by reducing sponsor default probability to zero or directly as balancing item. In principle, we prefer pension protection schemes to be a separate component of the HBS. They are a mechanism in their own right, therefore it should be included in their own right in the HBS as well. However, given the variety of possible constellations, in certain cases this treatment may not be appropriate. Therefore IORPs should be able to choose between both variants.	Noted.
2.650.	Actuarial Association of Europe	Q70	The explicit valuation of the pension protection scheme would provide useful transparency to the expected relative roles of the sponsor and the pension protection scheme in providing member security. We agree with EIOPA that it would not be cost effective or worthwhile for each IORP to have to determine a value of the PPS applicable to them, and we recommend that some simplified and consistent approach be acceptable.	Noted.
2.651.	AEIP	Q70	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	Noted.

			<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 with the approach to consider the PPS as balancing item in the HBS, under the condition that the PPS guarantees (close to) 100% of the benefits. If the PPS does not guarantee full benefits, then the combination of the PPS and the necessary benefit reductions is the balancing item. The use of a balancing item approach in case of a PPS should be justified properly and in a transparent manner.</p> <p>Indeed, from a methodological point of view, it is best to value a pension protection scheme separately using a full valuation, such as the full Barrie & Hibbert method. However, in the light of simplicity and feasibility, allowing the presence of a pension protection scheme to reduce the sponsor default rates to 0% seems a practical solution. It is important however that in this case, the pension protection scheme guarantees (almost) all liabilities of an IORP. In case less than 100% of the liabilities are guaranteed by the pension protection scheme, a combination of the PPS and benefit reductions is the balancing item. If this route is chosen, we invite EIOPA to further suggest how to allow for a combination of the PPS and benefit reduction as a balancing item. The use of a balancing item approach in case of a PPS should be justified properly and in a transparent manner.</p>	
2.652.	AGV Chemie	Q70	<p>We think it is important that the effect of a PPS as a balancing item is considered at all in the HBS be it via modelling it indirectly as backing</p>	Noted.

			up sponsor support to function as balancing item by reducing sponsor default probability to zero or directly as balancing item. In principle, we prefer pension protection schemes to be a separate component of the HBS. They are a mechanism in their own right, therefore it should be included in their own right in the HBS as well.	
2.653.	Aon Hewitt	Q70	For the reasons in Q69, it may not be appropriate to allow for pension protection schemes (especially in countries where these do not cover 100% of accrued benefits).	Noted.
2.654.	Association of Pension Lawyers	Q70	<p>Given the administrative burdens discussed in the response to Q69, we are not in favour of including a separate valuation for the availability of PPF compensation. It would be more appropriate for the availability of PPF compensation to be treated as a factor that reduces the risk of sponsor default probabilities (but noting that reducing the risk to zero would not generally be appropriate).</p> <p>Response to Q69:</p> <p>[1. In the UK, there is currently no requirement to assess the availability of compensation from the Pension Protection Fund (PPF) under the pension scheme funding regime. Any requirement to value this support would be a new obligation, which schemes may have difficulty administering, particularly given the complexity as to how such compensation would apply to any particular scheme (depending on the value of both the total liabilities of the scheme, and the benefits to which individual members would be entitled). Accordingly, it would be a significant administrative exercise to assess the value of the PPF for their liabilities as a separate item.</p> <p>2. Credit should be given for the fact that the existence of the PPF diversifies the risks facing the pension scheme (i.e. that the existence of the PPF means that the provision of benefits from most UK schemes is not dependent solely on sponsor support).</p>	Noted.

			<p>3. In the UK, the value of most if not all schemes' benefit liabilities will exceed the value of the compensation that would be provided by the PPF. For this reason, it will not be possible for pension protection schemes to be valued as reducing all sponsor probabilities to zero. It would be a significant exercise for schemes to determine how PPF support should be valued for their particular scheme, particularly in the case of schemes which remain open to future accrual. Arguably the PPF itself would need to be involved in any assessment of the impact of any particular scheme entering the PPF, which would increase its costs unnecessarily (probably at the ultimate expense of UK pension schemes and their sponsors via the PPF levy).</p> <p>4. A further point to note is that IORPs which are poorly funded and where members would potentially be eligible for compensation from the Pension Protection Fund should not be placed at an advantage to well funded IORPs where members would not be eligible for compensation from the Pension Protection Fund.</p> <p>5. UK pension schemes and sponsors should not be penalised with an disproportionate, unnecessary, costly and administratively complex obligations, simply because the UK government has developed a sophisticated system for protecting a minimum level of pension scheme benefits, which would not sit comfortably with a new solvency regime (not even contemplated when the PPF was established) which will be applied primarily to jurisdictions which do not include such resources.]</p>	
2.655.	BAPI	Q70	<p>Q70: Which of the options to value pension protection schemes do stakeholders prefer?</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</p>	Noted.

			<p>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 this is not applicable for Belgian IORPS, we have no further comment.</p>	
2.656.	Barnett Waddingham LLP	Q70	We believe that this should be determined by national regulators who will have an understanding of the appropriate background.	Noted.
2.657.	BASF SE	Q70	We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept we prefer the PPS as a separate balancing item.	Noted.
2.658.	BDA	Q70	We think it is important that the effect of a PPS as a balancing item is considered at all in the HBS be it via modelling it indirectly as backing up sponsor support to function as balancing item by reducing sponsor default probability to zero or directly as balancing item. In principle, we prefer pension protection schemes to be a separate component of the HBS. They are a mechanism in their own right, therefore it should be included in their own right in the HBS as well.	Noted.

2.659.	Compass Group PLC	Q70	Q70: Which of the options to value pension protection schemes do stakeholders prefer?	
2.660.	D & L Scott	Q70	Ditto.	Noted.
2.661.	EAPSPI	Q70	<p>EAPSPI thinks it is important that the effect of a PPS as a balancing item is considered at all in the HBS either via modelling it indirectly as backing up sponsor support to function as balancing item by reducing sponsor default probability to zero or directly as balancing item. Therefore if relevant IORPs should be able to choose between both variants.</p> <p>One advantage of using the indirect approach of considering a PPS via the effect on sponsor support would be that it is less effort to model: in this case the sponsor support would not have to be modelled explicitly because sponsor support functions as a balancing item. In the case of considering PPS directly as an asset in the HBS, sponsor support would have to be modelled / valued concretely using one of the other suggested valuation methods although afterwards the PPS is included as a balancing item in the HBS (see also EIOPA's suggestions in 4.5).</p>	Noted.
2.662.	Eversheds LLP	Q70	<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 it is appropriate to include pension protection schemes on the holistic balance sheet on the basis that, in our view,</p>	Noted.

			<p>one of the primary purposes of a solvency funding regime should be to prevent the need for IORPs to have to call upon pension protection schemes. In contrast recognising pension protection schemes on the holistic balance sheet implies that IORPs are expected to use such schemes.</p> <p>In addition, allowing IORPs to show the protection afforded by a pension protection scheme as an asset on the holistic balance sheet could distort the true solvency position of the IORP by suggesting that the solvency position is better than it actually is. In turn this may mean that appropriate action is not taken to address the IORPs actual solvency position which may in turn, perversely, make it more likely that the relevant pension protection scheme will need to be used.</p> <p>Recognising pension protection schemes on the holistic balance sheet would also be inconsistent with UK case law.</p> <p>However, if EIOPA decides that it is appropriate to show pension protection schemes in the holistic balance sheet, we think that this should be shown as a separate item, so that the value attributable to this and the value attributed to the sponsor support are clear and transparent.</p>	
2.663.	Evonik Industries AG	Q70	<p>We think it is important that the effect of a PPS as a balancing item is considered at all in the HBS be it via modelling it indirectly as backing up sponsor support to function as balancing item by reducing sponsor default probability to zero or directly as balancing item. In principle, we prefer pension protection schemes to be a separate component of the HBS. They are a mechanism in their own right, therefore it should</p>	Noted.

			be included in their own right in the HBS as well.	
2.664.	FFSA	Q70	Cf. Q43 - Pension Protection Scheme (PPS) should not be considered as a balancing item as this would contradict the purpose of a pension protection scheme, which is set up as a mechanism of last resort.	Noted.
2.665.	GDV	Q70	Which of the options to value pension protection schemes do stakeholders prefer? For simplification reasons, the GDV prefers the option to value the PPS as impacting on the value of sponsor support by reducing sponsor default probabilities to zero.	Noted.
2.667.	Heathrow Airport Limited	Q70	Q70: Which of the options to value pension protection schemes do stakeholders prefer?	
2.668.	Hoechst-Gruppe VVaG	Q70	We think it is important that the effect of an PPS as an balancing item is considered in the HBS, be it via modelling it indirectly as backing up sponsor support to function as balancing item by reducing sponsor default probability to zero or directly as balancing item. In principle, we prefer pension protection schemes to be a separate component of the HBS. They are a mechanism in their own right, therefore it should be included in their own right in the HBS as well. However, given the variety of possible constellations, in certain cases this treatment may not be appropriate. Therefore IORPs should be able to choose between both variants.	Noted.
2.669.	IFoA	Q70	The IFoA considers that national supervisors should give guidance on the approach to be used.	Noted.

2.670.	IVS	Q70	We think it is important that the effect of a PPS as a balancing item is considered in the HBS/HPF. Without it, the HBS/HPF cannot be termed holistic. Whether this is achieved indirectly (as backing up sponsor support to function as balancing item by reducing sponsor default probability to zero) or directly (as balancing item). In principle, we prefer PPS to be a separate component of the HBS/HPF. See our General Comments for an explanation of "HBS/HPF".	Noted.
2.671.	NAPF	Q70	<p>Q70: Which of the options to value pension protection schemes do stakeholders prefer?</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 Question 69, the first QIS showed that the 'value' of the PPF protection in the UK was relatively modest relative to the strength of sponsor support, and it might be that attempting to calculate its value with any precision represents disproportionate effort.</p>	Noted.
2.674.	Otto Group	Q70	We think it is important that the effect of a PPS as a balancing item is considered at all in the HBS be it via modelling it indirectly as backing up sponsor support to function as balancing item by reducing sponsor default probability to zero or directly as balancing item. In principle, we prefer pension protection schemes to be a separate component of	Noted.

			the HBS. They are a mechanism in their own right, therefore it should be included in their own right in the HBS as well.	
2.675.	Pensioenfederatie	Q70	<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>Methodologically, it is best to value a PPS separately by using a full valuation, such as the full Barrie & Hibbert method. However, in the light of simplicity and feasibility, allowing the existence of a PPS to reduce the sponsor default rates to 0% seems a practical solution. It is important, however, that in this case, the PPS guarantees all liabilities of an IORP. In case less than 100% of the liabilities are guaranteed by the PPS, a combination of the PPS and benefit reductions is the balancing item. If this route were to be chosen, we would invite EIOPA to further suggest how to allow for a combination of the PPS and benefit reduction as a balancing item. The use of a balancing item approach in case of a PPS should be justified properly and in a transparent manner.</p>	Noted.
2.676.	Pension Protection Fund	Q70	In the case of the UK, the second approach is not appropriate as we pay compensation which is (almost always) lower than the full benefits promised by the IORP. Assuming that the sponsor never defaulted would therefore give false certainty as to the security of members'	Noted.

			<p>benefits.</p> <p>More generally we believe the approach of placing a separate value on the pension protection scheme to be theoretically better, although we note the difficulty and potential costs of carrying out such a calculation, particularly for smaller IORPs. One pragmatic concession would be to permit a zero valuation where the costs were considered disproportionate.</p> <p>We should note that in the UK, IORPs pay us a levy to finance the protection offered. We believe in such cases IORPs should include in their liabilities an estimate of future levies, as to do otherwise would overstate the net benefit offered by pension protection schemes.</p> <p>We do not believe that the PPF should be included on schemes' balance sheets for the purpose of funding or solvency measurement. As we have stated elsewhere, we provide compensation to members following a scheme failure, and trustees should be running their schemes with the intention of meeting the full benefit promise, rather than failing and members having to receive reduced compensation for their lost pensions.</p>	
2.677.	PensionsEurope	Q70	<p>Which of the options to value pension protection schemes do stakeholders prefer?</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>	Noted.

			<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 think it is important that the effect of a PPS as a balancing item is considered at all in the HBS be it via modelling it indirectly as backing up sponsor support to function as balancing item by reducing sponsor default probability to zero or directly as balancing item. However, given the variety of possible constellations, in certain cases this treatment may not be appropriate. Therefore IORPs should be able to choose between both variants.</p> <p>At first glance, separate valuation of the pension protection scheme appears attractive, as it would boost the transparency of the Holistic Balance Sheet by marking the pension protection element as a distinct and separate component of the support for members' benefits. However, putting a value on the pension protection scheme component is far from straightforward, and there is some temptation to suggest it should be used as balancing item - perhaps discounted to reflect the percentage of compensation received by most members (for example most members receive 90% compensation under the UK PPF system).</p> <p>Methodologically, it looks best to value a pension protection scheme separately using a full valuation, such as the full Barrie & Hibbert method. However, in the light of simplicity and feasibility, allowing the presence of a pension protection scheme to reduce the sponsor default rates to 0% seems a practical solution. It is important however that in</p>	
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			<p>this case, the pension protection scheme guarantees all liabilities of an IORP. In case less than 100% of the liabilities are guaranteed by the pension protection scheme, a combination of the PPS and benefit reductions is the balancing item. If this route is chosen, we invite EIOPA to further suggest how to allow for a combination of the PPS and benefit reduction as a balancing item. The use of a balancing item approach in case of a PPS should be justified properly and in a transparent manner.</p> <p>PensionsEurope proposes that the existence of a pension protection scheme should be treated as a balancing item of second resort. So, the first step would be to use sponsor support as a balancing item, and then to use the pension protection scheme if further collateral is needed to achieve balance.</p>	
2.678.	PSVaG	Q70	<p>We think it is important that the effect of a PPS as a balancing item is considered at all in the HBS be it via modelling it indirectly as backing up sponsor support to function as balancing item by reducing sponsor default probability to zero or directly as balancing item. In principle, we prefer PPS to be a separate component of the HBS. They are a mechanism in their own right, therefore it should be included in their own right in the HBS as well.</p>	Noted.
2.681.	RPTCL	Q70	<p>The approach to considering pension protection schemes will vary markedly depending on the type of scheme and sponsor. In the example of the UK's Pension Protection Fund, it may be appropriate to make allowance for it but establishing how this is done might prove more difficult, as benefits are not compensated in full. However, where support is from an insurance company under an arm's length commercial arrangement (a "buy-in" type structure for example), making an allowance may be less problematic. We believe that the</p>	Noted.

			<p>sponsor support arrangements offered by insurers and national protection funds are likely to be so idiosyncratic as to be best left for the schemes and their sponsors, with oversight from national regulatory authorities, to determine.</p>	
2.682.	Siemens Pensionsfonds	Q70	<p>We think it is important that the effect of a PPS as a balancing item is considered at all in the HBS be it via modelling it indirectly as backing up sponsor support to function as balancing item by reducing sponsor default probability to zero or directly as balancing item. In principle, we prefer pension protection schemes to be a separate component of the HBS. They are a mechanism in their own right, therefore it should be included in their own right in the HBS as well.</p>	Noted.
2.683.	Society of Pension Professionals	Q70	<p>Which of the options to value pension protection schemes do stakeholders prefer?</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</p>	Noted.

			<p>justified by any perceived benefit.</p> <p>We believe that how a PPS should be valued needs to be considered further. More work is also needed to determine how complicated such a valuation would be and, therefore, how costly. Only then could an adequate assessment be made as to whether this cost it justified by any benefit to the members. Our starting point would be that such an assessment is not easy and of highly questionable use to the member. It follows, that this calls into question the viability of the HBS at all – as to include the PPS is challenging, but to exclude it would be nonsensical given the value it has to the member in relation to security of the promised benefits.</p>	
2.684.	Towers Watson	Q70	<p>Which of the options to value pension protection schemes do stakeholders prefer?</p> <p>We believe that how a PPS should be valued needs to be considered further. More work is also needed to determine how complicated such a valuation would be and, therefore, how costly. Only then could an adequate assessment be made as to whether this cost it justified by any benefit to the members. Our starting point would be that such an assessment is not easy and of highly questionable use to the member. It follows, that this calls into question the viability of the HBS at all – as to include the PPS is challenging, but to exclude it would be nonsensical given the value it has to the member in relation to security of the promised benefits.</p>	Noted.
2.685.	United Utilities Group	Q70	Q70: Which of the options to value pension protection schemes do stakeholders prefer?	
2.686.	ZVK-Bau	Q70	In the cases discussed under Q69 only the indirect option is possible. In other cases both methods should be available.	Noted.
2.687.	OPSG	Q71	Yes, but if and only if all liabilities are recognised by the PPS. Where a	Noted.

			reduction of benefits may arise even after the intervention of the PPS (i.e. where the PPS does not protect 100 % of the benefits) and on the condition that this is clearly defined, the OPSG agrees that allowance for this possible reduction in benefits should be included in the HBS i.e. OPSG supports the comments of EIOPA in paragraphs 4.135 to 4.137.	
2.688.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q71	<p>Yes. Including a strong PPS as balancing item is justified, because it can guarantee that the pension benefits will always be delivered on a sufficient level as defined in the national social and labour law. See also Q77. If the PPS will always lead to a balanced HBS, it should be possible to exempt IORPs from the complex and time-consuming exercise of calculating the sponsor support. Especially, if both sponsor support and PPS are in place, no separate cacluations should be required.</p> <p>The answer to Q77 was:</p> <p>We think the HBS approach is unsuitable for occupatinal pensions and should therefore be omitted. Within this unfitting concept, we prefer option 1 to include PPS on an IORP's balance sheet. Otherwise this important security mechanism for safeguarding the pension promise from the beneficiaries perspective would be neglected and the aim of the European Commission (similar level of protection irrespective of the security mechanisms used) would not be met.</p> <p>PPS should be included in an HBS, favourably as a balancing item on the holistic balance sheet. See Q35 and Q71.</p> <p>One advantage of using the indirect approach of considering a PPS via the effect on sponsor support would be that it is less effort to model:</p>	Noted.

			<p>in this case the sponsor support would not have to be modelled explicitly because sponsor support functions as a balancing item. In the case of considering PPS directly as an asset in the HBS sponsor support would have to be modelled / valued concretely using one of the other suggested valuation methods although afterwards the PPS is included as a balancing item in the HBS (see also EIOPA's suggestions in 4.5).</p> <p>We support following arguments for including pension protection schemes in any EU-wide framework as expressed in the Consultation paper.</p> <ul style="list-style-type: none"> <input type="checkbox"/> PPS protects members and beneficiaries against insolvency of their employers. In a holistic view, it should therefore be included in the HBS. The Consultation paper describes the conditions a PPS would have to fulfill (CP, par. 4.139), which we support. <input type="checkbox"/> There is a close link between sponsor support and pension protection schemes. Pension protection schemes could be seen as a form of collective sponsor support. Therefore they should, like sponsor support, be included in the holistic balance sheet. <input type="checkbox"/> PPS is a mechanism, established under national social and labor law, which protects members and beneficiaries against insolvency of their employers. A prudential framework should not aim at changing the level of security which is accepted under national social and labor law. <input type="checkbox"/> PPS fulfill their task on a regular and ongoing basis. They are not a last resort mechanism, like insurance guarantee schemes. So they can't be excluded from the HBS on the grounds that they are similar to insurance guarantee schemes. 	
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			<p><input type="checkbox"/> PPS can be financed by tens of thousands of sponsors, which gives them a very strong financial basis, comparable to the strength of a whole national economy.</p> <p><input type="checkbox"/> In cases where a strong PPS is in place, the benefits of members and beneficiaries would be protected with a sufficient level of security. A sufficient level of security can therefore be achieved in those cases, without applying short recovery periods or requiring an IORP to hold financial assets at least of the amount of Level A technical provisions.</p> <p>EIOPA rightly considers individual sponsor support as an important security mechanism. It therefore would not make sense to not include pension protection schemes as a form of collective sponsor support of over 90,000 employers in Germany. In addition, if it was not recognized, the security level in Germany would be systematically higher than in many other EU Member States.</p> <p>Since the foundation of the PSVaG in Germany forty years ago, no beneficiaries or pensioners have lost their legally protected pension rights because of the insolvency of the sponsoring employer. Not taking pension protection schemes into account in the HBS would therefore remove it even further from the reality of occupational pensions in some European Member States.</p>	
2.689.	ACA	Q71	Yes	Noted.
2.690.	Actuarial Association of Europe	Q71	Yes, providing it is reasonable to assume the pension protection scheme is risk-free and it protects all the promised IORP member benefits.	Noted.

2.691.	AEIP	Q71	<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 with the approach to consider the PPS as balancing item in the HBS, under the condition that the PPS guarantees (close to) 100% of the benefits. If the PPS does not guarantee full benefits, then the combination of the PPS and the necessary benefit reductions is the balancing item. The use of a balancing item approach in case of a PPS should be justified properly and in a transparent manner.</p>	Noted.
2.692.	AGV Chemie	Q71	<p>Yes. Including a strong PPS as balancing item is justified, because it can guarantee that the pension benefits will always be delivered on a sufficient level as defined in the national social and labour law. See also Q77.</p>	Noted.
2.693.	Aon Hewitt	Q71	<p>For the reasons in Q69, we do not think they should be used as a balancing item (other than in cases where 100% of benefits are guaranteed).</p>	Noted.
2.694.	Association of Pension	Q71	<p>As a general comment, it is imperative that UK schemes should benefit</p>	Noted.

	Lawyers		from the existence of a national framework intended to protect members' benefits (when compared to pension schemes in other jurisdictions where similar protection regimes do not exist).	
2.695.	BAPI	Q71	<p>Q71: Do stakeholders think a pension protection scheme could in principle be considered a balancing item on the HBS, if considered as a separate asset on the HBS?</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 this is not applicable for Belgian IORPS, we have no further comment.</p>	Noted.
2.696.	Barnett Waddingham LLP	Q71	We would prefer that sponsor support is used as the balancing item. However, if EIOPA chooses to require a calculation of sponsor support, a pension protection scheme could in principle be considered a balancing item.	Noted.
2.697.	BASF SE	Q71	We think the HBS approach is unsuitable for company pensions and	Noted.

			should therefore not be used. Within this unfitting concept the answer is Yes.	
2.698.	BDA	Q71	Yes. Including a strong PPS as balancing item is justified, because it can guarantee that the pension benefits will always be delivered on a sufficient level as defined in the national social and labour law. See also Q77.	Noted.
2.699.	Better Finance	Q71	See response in Q43	Noted.
2.700.	Compass Group PLC	Q71	Q71: Do stakeholders think a pension protection scheme could in principle be considered a balancing item on the holistic balance sheet, if considered as a separate asset on the holistic balance sheet?	
2.701.	D & L Scott	Q71	In principle, yes, but in practice I have argued throughout this template that a cash flow approach is far superior and may constitute a «complete financial management plan» which is capable of being used to practise budgetary control with regular monitoring of performance and actual events against plan and plan assumptions.	Noted.
2.702.	EAPSPI	Q71	Yes, we agree, a PPS in principle should be allowed as a balancing item on the HBS. What is important is that the effect of an PPS as a balancing item is considered at all either via modelling it indirectly as backing up sponsor support to function as a balancing item by reducing sponsor default probability to zero or directly as a balancing item. A separate explicit valuation of sponsor support if also another balancing item (PPS, benefit reduction) is available is definitely not appropriate as it is complex and costly to generate (if possible at all, especially for public sector MES IORPs) and the additional information is not necessary.	Noted.

2.703.	EEF	Q71	<p>We believe it is logical to rely on sponsor support as the primary balancing item and the pension protection fund arrangements as a 'top up' if necessary as a balancing item, rather than as a separate item as such.</p> <p>However, we do not support any approach that involves a complex calculation of the value of the protection fund arrangements, which will be a disproportionate activity for SMEs in particular.</p>	Noted.
2.704.	Eversheds LLP	Q71	<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>Whilst the existence of pension protection schemes is clearly relevant when assessing the overall security of members' benefits, we do not think that they should be included as part of the holistic balance sheet on the basis that this could disguise the true solvency position of an IORP and undermine the credibility of the solvency regime. In addition, one of the primary purposes of a solvency funding regime should be to prevent the need for IORPs to have to call upon pension protection schemes. Recognising pension protection schemes as an asset on the holistic balance sheet would, in our view, run counter to this and implies that IORPs are expected to call upon such schemes.</p> <p>In addition, allowing IORPs to show the protection afforded by a pension protection scheme as an asset on the holistic balance sheet could distort the true solvency position of the IORP by suggesting that the solvency position is better than it actually is. In turn this may mean that appropriate action is not taken to address the IORPs actual</p>	Noted.

			<p>solvency position which may in turn, perversely, make it more likely that the relevant pension protection scheme will need to be used.</p> <p>Recognising pension protection schemes on the holistic balance sheet would also be inconsistent with UK case law.</p>	
2.705.	Evonik Industries AG	Q71	<p>Yes. Including a strong PPS as balancing item is justified, because it can guarantee that the pension benefits will always be delivered on a sufficient level as defined in the national social and labour law. See also Q77.</p>	Noted.
2.706.	FSUG	Q71	<p>See response in Q43</p>	Noted.
2.707.	GDV	Q71	<p>Do stakeholders think a pension protection scheme could in principle be considered a balancing item on the holistic balance sheet, if considered as a separate asset on the holistic balance sheet?</p> <p>The GDV agrees that a pension protection scheme could in principle be considered a balancing item on the holistic balance sheet, if considered as a separate asset on the holistic balance sheet.</p>	Noted.
2.709.	Heathrow Airport Limited	Q71	<p>Q71: Do stakeholders think a pension protection scheme could in principle be considered a balancing item on the holistic balance sheet, if considered as a separate asset on the holistic balance sheet?</p>	
2.710.	Hoechst-Gruppe VVaG	Q71	<p>Yes. Including a strong PPS as balancing item is justified, because it can guarantee that the pension benefits will always be delivered on a sufficient level as defined in the national social and labour law. See also Q77. If the PPS will always lead to a balanced HBS, it should be</p>	Noted.

			<p>possible to exempt IORPs from the complex and time-consuming exercise of calculating the sponsor support. Especially, if both sponsor support and PPS are in place, no separate calculations should be required.</p> <p>The answer to Q77 was:</p> <p>We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept, we prefer option 1 to include PPS on an IORP's balance sheet. Otherwise this important security mechanism for safeguarding the pension promise from the beneficiaries perspective would be neglected and the aim of the European Commission (similar level of protection irrespective of the security mechanisms used) would not be met.</p> <p>PPS should be included in an HBS, favourably as a balancing item on the holistic balance sheet. See Q35 and Q71.</p> <p>One advantage of using the indirect approach of considering a PPS via the effect on sponsor support would be that it is less effort to model: in this case the sponsor support would not have to be modelled explicitly because sponsor support functions as a balancing item. In the case of considering PPS directly as an asset in the HBS sponsor support would have to be modelled / valued concretely using one of the other suggested valuation methods although afterwards the PPS is included as a balancing item in the HBS (see also EIOPA's suggestions in 4.5).</p> <p>We support following arguments for including pension protection</p>	
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			<p>schemes in any EU-wide framework as expressed in the Consultation paper.</p> <ul style="list-style-type: none"> <input type="checkbox"/> PPS protects members and beneficiaries against insolvency of their employers. In a holistic view, it should therefore be included in the HBS. The Consultation paper describes the conditions a PPS would have to fulfill (CP, par. 4.139), which we support. <input type="checkbox"/> There is a close link between sponsor support and pension protection schemes. Pension protection schemes could be seen as a form of collective sponsor support. Therefore they should, like sponsor support, be included in the holistic balance sheet. <input type="checkbox"/> PPS is a mechanism, established under national social and labor law, which protects members and beneficiaries against insolvency of their employers. A prudential framework should not aim at changing the level of security which is accepted under national social and labor law. <input type="checkbox"/> PPS fulfill their task on a regular and ongoing basis. They are not a last resort mechanism, like insurance guarantee schemes. So they can't be excluded from the HBS on the grounds that they are similar to insurance guarantee schemes. <input type="checkbox"/> PPS can be financed by tens of thousands of sponsors, which gives them a very strong financial basis, comparable to the strength of a whole national economy. <input type="checkbox"/> In cases where a strong PPS is in place, the benefits of members and beneficiaries would be protected with a sufficient level of security. A sufficient level of security can therefore be achieved in those cases, without applying short recovery periods or requiring an IORP to hold financial assets at least of the amount of Level A technical provisions. 	
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			<p>EIOPA rightly considers individual sponsor support as an important security mechanism. It therefore would not make sense to not include pension protection schemes as a form of collective sponsor support of over 90,000 employers in Germany. In addition, if it was not recognized, the security level in Germany would be systematically higher than in many other EU Member States.</p> <p>Since the foundation of the PSVaG in Germany forty years ago, no beneficiaries or pensioners have lost their legally protected pension rights because of the insolvency of the sponsoring employer. Not taking pension protection schemes into account in the HBS would therefore remove it even further from the reality of occupational pensions in some European Member States.</p>	
2.711.	IFoA	Q71	Yes, but the IFoA considers that national supervisors should give guidance on the approach to be used.	Noted.
2.712.	IVS	Q71	Yes.	Noted.
2.713.	NAPF	Q71	<p>Q71: Do stakeholders think a pension protection scheme could in principle be considered a balancing item on the holistic balance sheet, if considered as a separate asset on 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>	Noted.

			<p>Yes, we believe that in principle there would be merit in treating a pension protection scheme as a balancing item, depending on the level of protection offered and the security of the protection scheme.</p> <p>However, EIOPA should note that it would be far from straightforward to use the PPF in the UK as a balancing item, and EIOPA would need to give much more detailed consideration to how this would be achieved in practice.</p> <p>The first difficulty is that the PPF pays compensation that is lower than full IORP benefits, although we note paragraph 4.4 of section 4.1.2. which says "There are several elements that could, under specific circumstances, serve as a balancing item ... a pension protection scheme that covers 100% of benefits (or a pension protection scheme that covers <100% but the reduction in benefits is accounted for in the valuation of the holistic balance sheet) and is valued separately (from sponsor support) on the holistic balance sheet".</p> <p>The second issue is that the PPF compensates members for lost pension rather than contributing assets to the scheme, and trustees should not run their scheme in such a way that factors the scheme's failure into the level of funds they require.</p> <p>The third challenge would be to work out how the reduction in benefits would be reflected in the balance sheet. Would it, for example, serve as a reduction to the liabilities or would it be earmarked in the asset valuation as a separate source of funding that would supplement the</p>	
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			coverage given by the protection scheme so as to ensure full liabilities were met?	
2.716.	Otto Group	Q71	Yes. Including a strong PPS as balancing item is justified, because it can guarantee that the pension benefits will always be delivered on a sufficient level as defined in the national social and labour law. See also Q77.	Noted.
2.717.	Pensioenfederatie	Q71	<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 with the approach to consider the PPS as a balancing item in the HBS, under the condition that the PPS is strong enough to guarantee 100% of the benefits. If the PPS does not guarantee full benefits, the combination of the PPS and necessary benefit reductions is the balancing item. The use of a balancing item approach in case of a PPS should be justified properly and in a transparent manner.</p>	Noted.
2.718.	Pension Protection Fund	Q71	Yes, we believe that in principle this would be appropriate, depending on the level of protection offered and the security of the protection scheme.	Noted.

			<p>We do not believe that in the UK that the PPF could be considered a balancing item because, as noted above, we pay compensation that is lower than full IORP benefits, although we note paragraph 4.4 of section 4.1.2. which says "There are several elements that could, under specific circumstances, serve as a balancing item ... a pension protection scheme that covers 100% of benefits (or a pension protection scheme that covers <100% but the reduction in benefits is accounted for in the valuation of the holistic balance sheet) and is valued separately (from sponsor support) on the holistic balance sheet".</p> <p>For the reasons set out in various other sections, we believe that the PPF should be excluded from the holistic balance sheet if the purpose of the balance sheet is funding or solvency. This is because we compensate members for lost pension rather than contribute assets to the scheme, and trustees should not run their scheme in such a way that factors the scheme's failure into the level of funds they require.</p> <p>Finally, we would be concerned if treating a pension protection scheme as a balancing item inadvertently led to IORPs receiving lower levels of financial support from sponsors where it was not the Member State's intention to socialise the financial risk in this way.</p>	
2.719.	PensionsEurope	Q71	<p>Do stakeholders think a pension protection scheme could in principle be considered a balancing item on the holistic balance sheet, if considered as a separate asset on the holistic balance sheet?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project:</p>	Noted.

			<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>We agree with the approach to consider the PPS as balancing item in the HBS, under the condition that the PPS is strong enough to guarantee 100% of the benefits. If the PPS does not guarantee full benefits, then the combination of the PPS and the necessary benefit reductions is the balancing item. The use of a balancing item approach in case of a PPS should be justified properly and in a transparent manner.</p> <p>As emphasized in Q69 and Q70, at first glance, separate valuation of the pension protection scheme appears attractive, as it would boost the transparency of the Holistic Balance Sheet by marking the pension protection element as a distinct and separate component of the support for members' benefits. However, putting a value on the pension protection scheme component is far from straightforward, and there is some temptation to suggest it should be used as balancing item - perhaps discounted to reflect the percentage of compensation received by most members (for example most members receive 90% compensation under the UK PPF system).</p> <p>Methodologically, it looks best to value a pension protection scheme separately using a full valuation, such as the full Barrie & Hibbert method. However, in the light of simplicity and feasibility, allowing the</p>	
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			<p>presence of a pension protection scheme to reduce the sponsor default rates to 0% seems a practical solution. It is important however that in this case, the pension protection scheme guarantees all liabilities of an IORP. In case less than 100% of the liabilities are guaranteed by the pension protection scheme, a combination of the PPS and benefit reductions is the balancing item. If this route is chosen, we invite EIOPA to further suggest how to allow for a combination of the PPS and benefit reduction as a balancing item. The use of a balancing item approach in case of a PPS should be justified properly and in a transparent manner.</p> <p>PensionsEurope proposes that the existence of a pension protection scheme should be treated as a balancing item of second resort. So, the first step would be to use sponsor support as a balancing item, and then to use the pension protection scheme if further collateral is needed to achieve balance</p>	
2.720.	PSVaG	Q71	Yes. Including a strong PPS as balancing item is justified, because it can guarantee that the pension benefits will always be delivered on a sufficient level as defined in the national social and labour law. See also Q77.	Noted.
2.721.	Punter Southall	Q71	Yes	Noted.
2.724.	RPTCL	Q71	We believe that the concept of the holistic balance sheet incorporating “values” for sponsor support is flawed and unnecessary and will result in undue expense, management distraction and regulatory effort for no real benefit (and very probably considerable cost). If a holistic balance sheet were to be created, any pension protection mechanism should be considered on the basis of its very specific circumstances and taking account of the approach of national regulators – we do not believe it is possible to generalise as to how they should be treated.	Noted.

2.725.	Siemens Pensionsfonds	Q71	Yes. Including a strong PPS as balancing item is justified, because it can guarantee that the pension benefits will always be delivered on a sufficient level as defined in the national social and labour law. See also Q77.	Noted.
2.726.	Society of Pension Professionals	Q71	<p>Do stakeholders think a pension protection scheme could in principle be considered a balancing item on the holistic balance sheet, if considered as a separate asset on 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 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, in principle. To this end, it seems to make any HBS assessment irrelevant for those countries that provide an appropriate PPS.</p>	Noted.

2.727.	Towers Watson	Q71	<p>Do stakeholders think a pension protection scheme could in principle be considered a balancing item on the holistic balance sheet, if considered as a separate asset on the holistic balance sheet?</p> <p>Yes, in principle. To this end, it seems to make any HBS assessment irrelevant for those countries that provide an appropriate PPS.</p>	Noted.
2.728.	United Utilities Group	Q71	<p>Q71: Do stakeholders think a pension protection scheme could in principle be considered a balancing item on the holistic balance sheet, if considered as a separate asset on the holistic balance sheet?</p>	
2.729.	ZVK-Bau	Q71	Yes.	Noted.